Naledi Local Municipality
Annual Financial Statements
for the year ended 30 June 2015

General Information

Legal form of entity	Municipality
Nature of business and principal activities	The main business operations of the municipality is to engage in local governance activities, which includes planning and promotion of integrated development planning, land, economic and environmental development and supplying of the following services to the community: Rates and general services - All types of services rendered by the municipality, excluding the following; Housing Services - Supply housing to the community and includes the rental of units owned by the municipality to public and staff; Waste Management Services -The collection, disposal and purifying of waste, refuse and sewerage; Electricity Services - Electricity is bought in bulk from Eskom and distributed to the consumers by the municipality; and Water Services - Supplying water to the public.
Mayoral committee	
Executive Mayor	Ms. Mahase M
Councillors	Mr. Haddad MG
	Mr. Mahloko MD
	Mr. Makitle J
	Mr. Motseledi TD
	Mr. Rakhunoane K
	Ms. Sehloho ML
	Mr. Seoko MM
	Mr. Tladi GM
Municipal demarcation code	FS164
Grading of local authority	Grade 2
The capacity of local authority	Low capacity
Chief Finance Officer (CFO)	Mr. Moses T
Accounting Officer	Mr. Lefora QW
Registered office	Municipal Offices 13 Brand Street Dewetsdorp 9940
Business address	Municipal Offices 13 Brand Street Dewetsdorp 9940
Postal address	Private Bag X1 Dewetsdorp 9940
Bankers	ABSA Bank First National Bank
Auditors	Auditor-General of South Africa
Attorneys	Bahlekazi Attorneys Mabalane Attorneys

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The reports and statements set out below comprise the annual financial statements presented to the council:

Abbreviations

DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
IPSAS	International Public Sector Accounting Standards
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Companies Act, 71 of 2008, to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and were given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and places considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2016 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

Although the accounting officer is primarily responsible for the financial affairs of the municipality, he is supported by the municipality's auditors.

The external auditors are responsible for auditing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 8.

The annual financial statements set out on pages 8 to 96, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2015 and were signed on his behalf by:

Accounting Officer
Municipal Manager

Dewetsdorp

31 August 2015

Audit Committee Report

Audit Committee Report

Audit Committee Report

Audit Committee Report

Statement of Financial Position as at 30 June 2015

Figures in Rand	Note(s)	2015	2014 Restated*
Assets			
Current Assets			
Cash and cash equivalents	3	639 845	4 421 293
Consumer receivables	4	1 737 537	2 992 123
Other receivables from exchange transactions	5	252 313	27 620
VAT receivable	6	1 820 391	1 201 997
Inventories	7	96 197	81 007
		4 546 283	**8 724 040**
Non-Current Assets			
Investment property	8	1 090 000	1 090 000
Property, plant and equipment	9	309 283 176	289 917 085
Intangible assets	10	311 040	311 040
Other financial assets	11	115 350	98 010
		310 799 566	**291 416 135**
Total Assets		**315 345 849**	**300 140 175**
Liabilities			
Current Liabilities			
Payables from exchange transactions	12	30 034 988	24 883 506
Consumer deposits	13	882 001	568 828
Unspent conditional grants and receipts	14	4 813 513	4 057 363
Other financial liabilities	15	20 075	108 475
Employee benefit obligation	16	357 000	275 000
Provisions	17	3 077 319	12 132 030
		39 184 896	**42 025 202**
Non-Current Liabilities			
Other financial liabilities	15	180 804	201 115
Employee benefit obligation	16	2 968 000	2 757 000
Provisions	17	33 596 769	-
		36 745 573	**2 958 115**
Total Liabilities		**75 930 469**	**44 983 317**
Net Assets		**239 415 380**	**255 156 858**
Accumulated surplus		239 415 380	255 156 858

* See Note 48

Statement of Financial Performance

Figures in Rand	Note(s)	2015	2014 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	19	31 120 535	26 283 300
Interest received - investment	20	151 063	121 612
Dividends received	20	3 579	3 263
Rental income	21	287 524	361 655
Interest received - trading		190 737	163 615
Discount received		-	8 167 510
Other income	22	1 148 980	227 096
Total revenue from exchange transactions		**32 902 418**	**35 328 051**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	23	3 780 367	3 495 164
Transfer revenue			
Government grants and subsidies	24	55 375 850	65 741 680
Public contributions and donations	25	2 155 495	1 245 936
Total revenue from non-exchange transactions		**61 311 712**	**70 482 780**
Total revenue		**94 214 130**	**105 810 831**
Expenditure			
Employee related costs	26	(28 741 914)	(26 775 319)
Remuneration of councillors	27	(2 103 652)	(1 965 546)
Depreciation and amortisation	28	(12 662 561)	(17 023 554)
Impairment loss	29	(14 247 219)	(23 905 816)
Finance costs	30	(381 507)	(1 550 605)
Repairs and maintenance		(2 133 033)	(2 271 985)
Bulk purchases	31	(23 750 933)	(20 881 290)
General expenses	32	(25 930 072)	(21 167 983)
Loss on disposal of assets		(29 248)	-
Total expenditure		**(109 980 139)**	**(115 542 098)**
Operating deficit		**(15 766 009)**	**(9 731 267)**
Fair value adjustments	34	17 340	(1 405 480)
Actuarial gains/(losses)	16	7 191	(95 769)
		24 531	**(1 501 249)**
Deficit for the year		**(15 741 478)**	**(11 232 516)**

* See Note 48

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	266 360 055	266 360 055
Adjustments		
Correction of errors (refer to note 49)	29 319	29 319
Balance at 01 July 2013 as restated*	**266 389 374**	**266 389 374**
Changes in net assets		
Deficit for the year	(11 232 516)	(11 232 516)
Total changes	(11 232 516)	(11 232 516)
Restated* Balance at 01 July 2014	**255 156 857**	**255 156 857**
Changes in net assets		
Deficit for the year	(15 741 477)	(15 741 477)
Total changes	(15 741 477)	(15 741 477)
Balance at 30 June 2015	**239 415 380**	**239 415 380**

* See Note 48

Cash Flow Statement

Figures in Rand	Note(s)	2015	2014 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		24 842 225	20 120 830
Grants		56 132 000	69 686 520
Interest income		151 063	121 612
Dividends received		3 579	3 263
Interest income - trading		190 737	163 615
		81 319 604	90 095 840
Payments			
Employee costs		(30 545 375)	(28 750 634)
Suppliers		(21 822 517)	(40 781 696)
Finance costs		(381 507)	(1 340 605)
		(52 749 399)	(70 872 935)
Net cash flows from operating activities	35	**28 570 205**	**19 222 905**
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(32 242 942)	(16 128 991)
Cash flows from financing activities			
Repayment of other financial liabilities		(108 711)	(113 845)
Net cash flows from financing activities		**(108 711)**	**(113 845)**
Net increase/(decrease) in cash and cash equivalents		**(3 781 448)**	**2 980 069**
Cash and cash equivalents at the beginning of the year		4 421 293	1 441 224
Cash and cash equivalents at the end of the year	3	**639 845**	**4 421 293**

* See Note 48

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	35 681 132	-	**35 681 132**	31 120 535	**(4 560 597)**	X1 of Note 47
Rental income	356 344	50 593	**406 937**	287 524	**(119 413)**	X2 of Note 47
Interest received - trading	73 254	143 845	**217 099**	190 737	**(26 362)**	X3 of Note 47
Other income	5 849 957	13 000	**5 862 957**	1 148 980	**(4 713 977)**	X4 of Note 47
Interest received - investment	-	-	**-**	151 063	**151 063**	X5 of Note 47
Dividends received	5 000	-	**5 000**	3 579	**(1 421)**	X6 of Note 47
Total revenue from exchange transactions	**41 965 687**	**207 438**	**42 173 125**	**32 902 418**	**(9 270 707)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	4 537 361	291 269	**4 828 630**	3 780 367	**(1 048 263)**	X7 of Note 47
Transfer revenue						
Government grants and subsidies	43 045 000	-	**43 045 000**	55 375 850	**12 330 850**	X9 of Note 47
Public contributions and donations	-	-	**-**	2 155 495	**2 155 495**	X10 of Note 47
Total revenue from non-exchange transactions	**47 582 361**	**291 269**	**47 873 630**	**61 311 712**	**13 438 082**	
Total revenue	**89 548 048**	**498 707**	**90 046 755**	**94 214 130**	**4 167 375**	
Expenditure						
Employee related costs	(31 545 000)	553 768	**(30 991 232)**	(28 741 914)	**2 249 318**	X11 of Note 47
Remuneration of councillors	(2 396 000)	259 000	**(2 137 000)**	(2 103 652)	**33 348**	
Transfer payments - other	(5 559 000)	4 559 000	**(1 000 000)**	-	**1 000 000**	X12 of Note 47
Depreciation and amortisation	(1 500 000)	1 500 000	**-**	(12 662 561)	**(12 662 561)**	X13 of Note 47
Impairment loss	(2 000 000)	2 000 000	**-**	(14 247 219)	**(14 247 219)**	X14 of Note 47
Finance costs	(51 811)	(11 267)	**(63 078)**	(381 507)	**(318 429)**	X15 of Note 47
Repairs and maintenance	(2 770 000)	(156 000)	**(2 926 000)**	(2 133 033)	**792 967**	X16 of Note 47
Bulk purchases	(30 396 694)	178 799	**(30 217 895)**	(23 750 933)	**6 466 962**	X17 of Note 47
Contracted services	(1 942 000)	(6 522 947)	**(8 464 947)**	-	**8 464 947**	
General expenses	(13 100 000)	(1 943 000)	**(15 043 000)**	(25 930 072)	**(10 887 072)**	X18 of Note 47
Total expenditure	**(91 260 505)**	**417 353**	**(90 843 152)**	**(109 950 891)**	**(19 107 739)**	
Operating deficit	**(1 712 457)**	**916 060**	**(796 397)**	**(15 736 761)**	**(14 940 364)**	
Loss on disposal of assets	-	-	**-**	(29 248)	**(29 248)**	
Fair value adjustments	-	-	**-**	17 340	**17 340**	X19 of Note 47
Actuarial gains	-	-	**-**	7 191	**7 191**	X20 of Note 47
	-	**-**	**-**	**(4 717)**	**(4 717)**	
Deficit before taxation	**(1 712 457)**	**916 060**	**(796 397)**	**(15 741 478)**	**(14 945 081)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**(1 712 457)**	**916 060**	**(796 397)**	**(15 741 478)**	**(14 945 081)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2015											
Financial Performance											
Service charges	35 681 132	-	35 681 132	-		35 681 132	31 120 535		(4 560 597)	87 %	87 %
Property rates	4 567 853	262 734	4 830 587	-		4 830 587	3 812 506		(1 018 081)	79 %	83 %
Interest received - investment	-	-	-	-		-	151 063		151 063	DIV/0 %	DIV/0 %
Transfers recognised - operational	43 045 000	-	43 045 000	-		43 045 000	57 531 345		14 486 345	134 %	134 %
Other own revenue	6 282 598	-	6 282 598	-		6 282 598	1 598 681		(4 683 917)	25 %	25 %
Total revenue (excluding capital transfers and contributions)	**89 576 583**	**262 734**	**89 839 317**	**-**		**89 839 317**	**94 214 130**		**4 374 813**	**105 %**	**105 %**
Employee costs	(31 545 000)	553 768	(30 991 232)	-	-	(30 991 232)	(28 741 914)	-	2 249 318	93 %	91 %
Remuneration of councillors	(2 396 000)	259 000	(2 137 000)	-	-	(2 137 000)	(2 103 652)	-	33 348	98 %	88 %
Transfer payments	(5 559 000)	4 559 000	(1 000 000)			(1 000 000)	-	-	1 000 000	- %	- %
Depreciation and asset impairment	(3 500 000)	3 500 000	-			-	(26 909 780)	-	(26 909 780)	DIV/0 %	769 %
Finance costs	(51 811)	(11 267)	(63 078)	-	-	(63 078)	(381 507)	-	(318 429)	605 %	736 %
Bulk purchases	(30 396 694)	178 799	(30 217 895)	-	-	(30 217 895)	(23 750 933)	-	6 466 962	79 %	78 %
Contracted services	(1 942 000)	(6 522 947)	(8 464 947)	-	-	(8 464 947)	-	-	8 464 947	- %	- %
Other expenditure	(13 928 000)	(2 099 000)	(16 027 000)	-	-	(16 027 000)	(29 882 496)	-	(13 855 496)	186 %	215 %
Total expenditure	**(89 318 505)**	**417 353**	**(88 901 152)**	**-**	**-**	**(88 901 152)**	**(111 770 282)**	**-**	**(22 869 130)**	**126 %**	**125 %**

Appropriation Statement

Figures in Rand

							Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome	
Surplus/(Deficit)	**258 078**	**680 087**	**938 165**	**-**		**938 165**	**(17 556 152)**		**(18 494 317)**	**(1 871)%**	**(6 803)%**
Transfers recognised - capital	12 395 100	(12 395 100)	-	-		-	12 810 850		12 810 850	DIV/0 %	103 %
Contributions recognised - capital and contributed assets	-	-	-	-		-	2 155 495		2 155 495	DIV/0 %	DIV/0 %
Surplus (Deficit) after capital transfers and contributions	**12 653 178**	**(11 715 013)**	**938 165**	**-**		**938 165**	**(2 589 807)**		**(3 527 972)**	**(276)%**	**(20)%**
Deficit for the year	**12 653 178**	**(11 715 013)**	**938 165**	**-**		**938 165**	**(2 589 807)**		**(3 527 972)**	**(276)%**	**(20)%**

Capital Expenditure and Funds Sources

Total capital expenditure	-	-	-	-		-	24 542 058		24 542 058	DIV/0 %	DIV/0 %

Appropriation Statement

Figures in Rand	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Cash Flows											
Net cash from (used) operating	-	-	-	-		-	28 570 205		28 570 205	DIV/0 %	DIV/0 %
Net cash from (used) investing	-	-	-	-		-	(32 242 942)		(32 242 942)	DIV/0 %	DIV/0 %
Net cash from (used) financing	-	-	-	-		-	(108 711)		(108 711)	DIV/0 %	DIV/0 %
Net increase/(decrease) in cash and cash equivalents	**-**	**-**	**-**	**-**		**-**	**(3 781 448)**		**(3 781 448)**	**DIV/0 %**	**DIV/0 %**
Cash and cash equivalents at the beginning of the year	-	-	-	-		-	4 421 293		4 421 293	DIV/0 %	DIV/0 %
Cash and cash equivalents at year end	**-**	**-**	**-**	**-**		**-**	**639 845**		**(639 845)**	**DIV/0 %**	**DIV/0 %**

Appropriation Statement

Figures in Rand	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
2014				
Financial Performance				
Property rates				3 495 164
Service charges				26 283 300
Investment revenue				124 875
Transfers recognised - operational				46 459 523
Other own revenue				8 944 396
Total revenue (excluding capital transfers and contributions)				**85 307 258**
Employee costs	-	-	-	(26 775 319)
Remuneration of councillors	-	-	-	(1 965 546)
Depreciation and asset impairment	-	-	-	(40 929 370)
Finance charges	-	-	-	(1 550 605)
Materials and bulk purchases	-	-	-	(20 881 290)
Other expenditure	-	-	-	(24 869 968)
Total expenditure	**-**	**-**	**-**	**(116 972 098)**
Surplus/(Deficit)				**(31 664 840)**
Transfers recognised - capital				19 282 157
Contributions recognised - capital and contributed assets				1 245 936
Surplus (Deficit) after capital transfers and contributions				**(11 136 747)**
Surplus/(Deficit) for the year				**(11 136 747)**
Captial Expenditure and Funds Sources				
Total capital expenditure				(11 828 244)

Appropriation Statement

Figures in Rand

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
Cash Flows				
Net cash from (used) operating				19 222 905
Net cash from (used) investing				(16 128 991)
Net cash from (used) financing				(113 845)
Net increase/(decrease) in cash and cash equivalents				**2 980 069**
Cash and cash equivalents at the beginning of the year				1 441 224
Cash and cash equivalents at year end				**4 421 293**

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act of 2003)

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with the historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand. All figures have been rounded to the nearest Rand.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Going concern assumption

These have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.2 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Receivables

The municipality assesses its receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the municipality makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to balances in the portfolio and scaled to the estimated loss emergence period.

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

The recoverable (service) amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumptions may change which may then impact our estimations and may then require a material adjustment to the carrying value of tangible assets.

Value in use of cash generating assets:

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including economic factors such as inflation and interest.

Value in use of non-cash generating assets:

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. If there are indications that impairment may have occurred, the remaining service potential of the asset is determined. The most appropriate approach selected to determine the remaining service potential is dependent on the availability of data and the nature of the impairment.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 17 Provisions.

Useful lives of property, plant and equipment and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for property, plant and equipment and other assets. This estimate is based on industry norm. This estimate is based on the pattern in which an asset's future economic benefits or service potential are expected to be consumed by the municipality.

Post employment benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. The most appropriate discount rate that reflects the time value of money is with reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, the municipality uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in note 16.

Effective interest rate

The municipality uses the government bond rate to discount future cash flows.

Allowance for impairment

For receivables an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the receivables carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.3 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services; or
- administrative purposes; or
- sale in the ordinary course of operations.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired at no cost, or for a nominal cost, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the municipality determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the municipality determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the municipality measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The municipality applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the municipality becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

The gain or loss arising from the derecognition of investment property is determined as the difference between the net disposal proceeds and the carrying amount of the asset. Such a difference is recognised in surplus or deficit when the investment property is derecognised.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

1.4 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one reporting period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost or fair value of the item can be measured reliably.

Property, plant and equipment are initially recognised at cost.

Accounting Policies

1.4 Property, plant and equipment (continued)

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost), unless the fair value of neither the asset received nor the asset given up is reliably measurable. If the acquired item is not measured at fair value, it's cost is measured at the carrying amount of the asset given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the municipality is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Subsequent to initial measurement property, plant and equipment are carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated on a straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	**Average useful life**
Buildings	30 years
Community	10 - 30 years
Infrastructure	5 - 30 years
Land	Indefinite
Other property, plant and equipment	3 - 25 years

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the municipality to amend the previous estimate; unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit; unless it is included in the carrying amount of another asset.

Accounting Policies

1.4 Property, plant and equipment (continued)

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item. Such a difference is recognised in surplus or deficit when the item is derecognised.

Compensation from third parties for an item of property, plant and equipment that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

1.5 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as ‘decommissioning, restoration and similar liabilities’. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which the municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

The related asset is measured using the cost model:
- (a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- (b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- (c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

1.6 Intangible assets

An asset is identifiable if it either:
- is separable, i.e. is capable of being separated or divided from the municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the municipality intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:
- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management’s best estimate of the set of economic conditions that will exist over the useful life of the asset.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at the date of acquisition.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

Accounting Policies

1.6 Intangible assets (continued)

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:
- it is technically feasible to complete the asset so that it will be available for use or sale;
- there is an intention to complete and use or sell it;
- there is an ability to use or sell it;
- it will generate probable future economic benefits or service potential;
- there are available technical, financial and other resources to complete the development and to use or sell the asset; and
- the expenditure attributable to the asset during its development can be measured reliably.

Subsequent to initial measurement intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Amortisation is provided to write down the intangible assets, on a straight line basis to their estimated residual values as follows:

Item	Useful life
Servitudes	Indefinite

Intangible assets are derecognised:
- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an intangible asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the intangible asset. Such a difference is recognised in surplus or deficit when the intangible asset is derecognised.

1.7 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

Accounting Policies

1.7 Financial instruments (continued)

Classification

The municipality has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost

The municipality has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Payables from exchange transactions	Financial liability measured at amortised cost
Finance lease obligation	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost
Other financial liabilities	Financial liability measured at amortised cost

Initial recognition

The municipality recognises a financial asset or a financial liability in its statement of financial position when the municipality becomes a party to the contractual provisions of the instrument.

The municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The municipality measures a financial asset and financial liability, other than those subsequently measures at fair value, initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The municipality measures all other financial assets and financial liabiliites initially at fair value.

The municipality first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the municipality analyses a concessionary loan into its component parts and accounts for each component separately. The municipality accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

1.7 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The municipality measures all financial assets and financial liabilities after initial recognition using the following categories:
- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility in the case of a financial asset.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the municipality establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the municipality uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on municipality-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, the municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

Short-term receivables and payables are not discounted where the initial credit period granted or received is consistent with terms used in the public sector, either through established practices or legislation.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The municipality assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

For amounts due to the municipality, significant financial difficulties of the receivable, probability that the receivable will enter bankruptcy and default of payments are all considered indicators of impairment.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

1.7 Financial instruments (continued)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Where financial assets are impaired through the use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such financial assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:
- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the municipality, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality:
  - derecognises the asset; and
  - recognises separately any rights and obligations created or retained in the transfer.

The carrying amount of the transferred asset is allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

Financial liabilities

The municipality removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished - i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

1.8 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and building elements, the municipality assesses the classification of each element separately.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term. The difference between the amounts recognised as revenue and the contractual receipts are recognised as an operating lease asset or liability.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

Any contingent rents are recognised separately as revenue in the period in which they are received.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis over the lease term.

Any contingent rents are recognised separately as an expense in the period in which they are incurred.

1.9 Inventories

Inventories are initially measured at cost except where inventories are acquired at no cost, or for a nominal cost, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for:
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Accounting Policies

1.10 Value-added Tax (VAT)

The municipality is registered with the South African Revenue Services (SARS) for VAT on the payments basis, in accordance with Section 15(2) of the VAT Act (Act No. 89 of 1991).

1.11 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also tests a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset is tested for impairment before the end of the current reporting period.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset’s revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Accounting Policies

1.11 Impairment of cash-generating assets (continued)

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality uses management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:
- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the municipality does not reduce the carrying amount of an asset below the highest of:
- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

1.11 Impairment of cash-generating assets (continued)

Reversal of impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

1.12 Impairment of non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also tests a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset is tested for impairment before the end of the current reporting period.

1.12 Impairment of non-cash-generating assets (continued)

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating asset is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality will not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.13 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of an municipality after deducting all of its liabilities.

1.14 Employee benefits

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within 12 months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within 12 months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within 12 months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the municipality during a reporting period, the municipality recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The municipality measures the expected cost of accumulating compensated absences as the additional amount that the municipality expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The municipality recognises the expected cost of bonus, incentive and performance related payments when the municipality has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the municipality has no realistic alternative but to make the payments.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which the municipality provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

Multi-employer plans and/or State plans and/or Composite social security programmes

The municipality classifies a multi-employer plan and/or state plans and/or composite social security programmes as a defined contribution plan or a defined benefit plan under the terms of the plan (including any constructive obligation that goes beyond the formal terms).

Where a plan is a defined contribution plan, the municipality accounts for in the same way as for any other defined contribution plan.

Where a plan is a defined benefit plan, the municipality accounts for its proportionate share of the defined benefit obligation, plan assets and cost associated with the plan in the same way as for any other defined benefit plan.

When sufficient information is not available to use defined benefit accounting for a plan, that is a defined benefit plan, the municipality accounts for the plan as if it was a defined contribution plan.

Accounting Policies

1.14 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the municipality during a reporting period, the municipality recognises the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, the municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within 12 months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

1.14 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the municipality recognises actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises, because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the municipality recognises past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The municipality measures the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The municipality determines the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The municipality recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses, which is recognised immediately;
- past service cost, which is recognised immediately;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

1.14 Employee benefits (continued)

The municipality uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, the municipality attributes benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, the municipality attributes benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The municipality recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the municipality re-measures the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The municipality offsets an asset relating to one plan against a liability relating to another plan when the municipality has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money are consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
- those changes were enacted before the reporting date; or
- past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

1.14 Employee benefits (continued)

Other long-term employee benefits

The municipality has an obligation to provide long-term service allowance benefits to all of its employees.

The municipality's liability is based on an actuarial valuation. The Projected Unit Credit Method is used to value the liabilities. Actuarial gains and losses on the long-term service awards are recognised in the statement of financial performance.

The amount recognised as a liability for long-term service awards is the net total of the following amounts:
- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The municipality recognises the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which is recognised immediately;
- past service cost, which is recognised immediately; and
- the effect of any curtailments or settlements.

Termination benefits

The municipality recognises termination benefits as a liability and an expense when the municipality is demonstrably committed to either:
- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The municipality is demonstrably committed to a termination when the municipality has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:
- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits is based on the number of employees expected to accept the offer.

1.15 Provisions and contingencies

Provisions are recognised when:
- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

1.15 Provisions and contingencies (continued)

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating expenditure.

If the municipality has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when the municipality:
- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:
- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.

A contingent liability:
- a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality; or
- a present obligation that arises from past events but is not recognised because:
  - it is not probable than an outflow of resources embodying economic benefits or service potential will be required to settle the obligation;
  - the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 37.

Accounting Policies

1.15 Provisions and contingencies (continued)

Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

The related asset is measured using the cost model:
- changes in the liability is added to, or deducted from, the cost of the related asset in the current period;
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit;
- if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the municipality tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and accounts for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.11 and 1.12.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

1.16 Discontinued operations

Discontinued operation is a component of the municipality that has been disposed of and:
- represents a distinguishable activity, group of activities or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a distinguishable activity, group of activities or geographical area of operations; or
- is a controlled entity acquired exclusively with a view to resale.

A component of the municipality is the operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the municipality.

1.17 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:
- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

1.17 Revenue from exchange transactions (continued)

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by surveys of work performed.

Interest, royalties and dividends

Revenue arising from the use by others of municipal assets yielding interest, royalties and dividends or similar distributions is recognised when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

1.18 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by the municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, the municipality either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential are required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the municipality.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Accounting Policies

1.18 Revenue from non-exchange transactions (continued)

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Taxes (Property rates for municipalities)

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources.

Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured.

The municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

Transfers

Apart from services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Collection charges and penalties

Collection charges and penalty interest are recognised when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with the relevant legal requirements (if applicable).

1.18 Revenue from non-exchange transactions (continued)

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

The municipality makes use of estimates to determine the amount of revenue that it is entitled to collect. Where settlement discounts or reductions in the amount payable are offered, the municipality considers past history in assessing the likelihood of these discounts or reductions being taken up by debtors.

Where the municipality collects fines in the capacity of an agent, the fines will not be revenue of the municipality.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Services in-kind

Services in-kind are not recognised.

Concessionary loans received

A concessionary loan is a loan granted to or received by the municipality on terms that are not market related.

The portion of the loan that is repayable, along with any interest payments, is an exchange transaction and is accounted for in accordance with the Standard of GRAP on Financial Instruments. The off-market portion of the loan is a non-exchange transaction. The off-market portion of the loan that is recognised as non-exchange revenue, is calculated as the difference between the proceeds received from the loan, and the present value of the contractual cash flows of the loan, discounted using a market related rate of interest.

The recognition of revenue is determined by the nature of any conditions that exists in the loan agreement that may give rise to a liability. Where a liability exists the municipality recognises revenue as and when it satisfies the conditions of the loan agreement.

1.19 Borrowing costs

Borrowing costs are interest and other expenses incurred by the municipality in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.20 Service concession arrangements: Grantor

A service concession arrangement is a contractual arrangement between a grantor (the municipality) and an operator in which:

- the operator uses the service concession asset to provide a mandated function on behalf of the municipality for a specified period of time; and
- the operator is compensated for its services over the period of the service concession arrangement.

A service concession asset is an asset used to provide a mandated function in a service concession arrangement that:

- is provided by the operator which:
  - the operator constructs, develops, or acquires from a third party; or
  - is an existing asset of the operator.
- is provided by the grantor (municipality) which:
  - is an existing asset of the municipality; or
  - is an upgrade to an existing asset of the municipality.

An asset is provided by the operator, or an upgrade to an existing asset of the municipality is recognised as a service concession asset if:

- the municipality controls or regulates what services the operator must provide with the asset, to whom it must provide them, and at what price;
- the municipality controls, through ownership, beneficial entitlement or otherwise, any significant residual interest in the asset at the end of the arrangement.

Accounting Policies

1.20 Service concession arrangements: Grantor (continued)

The municipality measures initially a service concession asset at its fair value.

The municipality recognises a liability where a service concession asset is recognised.

The liability is initially recognised at the same amount as the service concession asset, adjusted by the amount for any consideration from the municipality to the operator, or from the operator to the municipality.

Where the municipality has an unconditional obligation to pay cash or another financial asset to the operator for the construction, development, acquisition or upgrade of a service concession asset, the liability is accounted for as a financial liability in accordance with GRAP 104.

The payments made to the operator are accounted for according to their substance as:
- a reduction in the liability recognised;
- a finance charge; and
- charges for services provided by the operator.

Where the asset and service components of a service concession arrangement are separately identifiable, the service components of payments are allocated by reference to the relative fair values of the service concession asset and the services. If not, the service component of payments is determine using valuation techniques.

Where the municipality does not have an unconditional obligation to pay cash or another financial asset to the operator, and grants the operator the right to earn revenue from third-party users or another revenue-generating asset, the liability is accounted for as the unearned portion of revenue arising from the exchange of assets between the municipality and the grantor.

The liability is reduced and revenue recognised according to the substance of the service concession arrangement.

1.21 Unauthorised expenditure

Unauthorised expenditure means any expenditure incurred by the municipality otherwise than in accordance with section 15 or 11(3) of the Municipal Finance Management Act (Act No. 56 of 2003), and includes:
- overspending of the total amount appropriated in the municipality’s approved budget;
- overspending of the total amount appropriated for a vote in the approved budget;
- expenditure from a vote unrelated to the department or functional area covered by the vote;
- expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;
- spending of an allocation referred to in paragraph (b), (c) or (d) of the definition of ‘‘allocation’’ otherwise than in accordance with any conditions of the allocation; or
- a grant by the municipality otherwise than in accordance with the Municipal Finance Management Act.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.22 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.23 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the municipality’s supply chain management policy. Irregular expenditure excludes unauthorised expenditure.

All expenditure relating to irregular expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

Accounting Policies

1.24 Accumulated surplus

The accumulated surplus represents the net difference between the total assets and the total liabilities of the municipality. Any surpluses and deficits realised during a specific financial year are credited/debited against accumulated surplus/deficit. Prior year adjustments, relating to income and expenditure, are debited/credit against accumulated surplus when retrospective adjustments are made.

1.25 Commitments

Items are classified as commitments when the municipality has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments, which are disclosed in note 36.

Commitments for which disclosure is necessary to achieve a fair presentation are disclosed if both the following criteria are met:
- contracts are non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- contracts relate to something other than the routine, steady, state business of the municipality – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.26 Grants in aid

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:
- receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment.

These transfers are recognised in the statement of financial performance as expenses in the period that the events giving raise to the transfer occurred.

1.27 Budget information

The approved budget is prepared on the accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2014/07/01 to 2015/06/30.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.28 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm’s length or not in the ordinary course of business are disclosed.

1.29 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:
- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and

1.29 Events after reporting date (continued)

- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality adjusts the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality discloses the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

GRAP 5 (revised 2013): Borrowing Costs

Benchmark treatment is to recognise borrowing costs as an expense.

Alllowed alternative is to capitalise borrowing costs if it is attributable to the acquisition, construction or production of a qualifying asset. All other instances, expense borrowing costs.

All amendments to be applied prospectively.

The effective date of the amendment is for years beginning on or after 01 April 2014.

The municipality has adopted the amendment for the first time in the 2015 annual financial statements.

The impact of the amendment is not material.

GRAP 100 (revised 2013): Discontinued Operations

All accounting, presentation and disclosure requirements with regards to non-current assets held for sale (or disposal groups) have been deleted. The impact of the amendments is:

- Will no longer be required to reclassify assets as held for sale. GRAP 100 now only deals with discontinued operations.
- Certain disclosure must be made if, at the reporting date, management has taken a decision to dispose of a significant asset or a group of assets and liabilities. Will fall under the Standard of GRAP on Presentation of Financial Statements.

Measurement requirements are to be applied prospectively and presentation and disclosure requirements are to be applied retrospectively

The effective date of the amendment is for years beginning on or after 01 April 2014.

The municipality has adopted the amendment for the first time in the 2015 annual financial statements.

The impact of the amendment is not material.

2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality’s accounting periods beginning on or after 01 July 2015 or later periods:

GRAP 18: Segment Reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the municipality’s overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

The standard has been approved by the Accounting Standards Board, but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time once it becomes effective.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

GRAP 105: Transfers of Functions Between Entities Under Common Control

The objective of this standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control.

A transfer of functions between entities under common control is a reorganisation and / or reallocation of functions between entities that are ultimately controlled by the same entity before and after a transfer of functions.

In the event of a transfer of functions between entities under common control, the assets and liabilities should be recognised (by the acquirer) at their carrying amounts and should be derecognised (by the transferor) at their carrying amounts.

The difference between the amount of consideration paid or received, if any, and the carrying amounts of assets and liabilities should be recognised in accumulated surplus / (deficit).

The effective date of the standard is for years beginning on or after 01 April 2015.

The municipality expects to adopt the standard when it is effective.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 106: Transfers of Functions Between Entities not Under Common Control

The objective of this standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control.

A transfer of functions between entities not under common control is a reorganisation and / or reallocation of functions between entities that are not ultimately controlled by the same entity before and after a transfer of functions.

In the event of a transfer of functions between entities not under common control, the assets and liabilities should be recognised (by the acquirer) at their acquisition date fair values.

The difference between the amount of consideration paid, if any, and the carrying amounts of assets acquired and liabilities assumed should be recognised in accumulated surplus / (deficit).

For a transfer of functions between entities not under common control there are some specific recognition and measurement principles and exceptions to the recognition and measurement principles.

The effective date of the standard is for years beginning on or after 01 April 2015.

The municipality expects to adopt the standard when it is effective.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 107: Mergers

The objective of this standard is to establish accounting principles for the combined entity and combining entities in a merger.

A merger is where a new combined entity is started, acquirer can be identified and the conbining entities do not have any control over the combined entity.

In the event of a merger, the assets and liabilities should be recognised (by the combined entity) at their carrying amounts and should be derecognised (by the combining entities) at their carrying amounts.

The difference between the carrying amounts of assets and liabilities should be recognised in accumulated surplus / (deficit).

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The effective date of the standard is for years beginning on or after 01 April 2015.

The municipality expects to adopt the standard when it is effective.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 20: Related Parties

The objective of this standard is to ensure that a reporting entity’s annual financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

The municipality (in this standard referred to as the reporting entity) applies this standard in:
- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between the municipality and its related parties;
- identifying the circumstances in which disclosure of the items in bullet one and two is required; and
- determining the disclosures to be made about those items.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual annual financial statements.

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users’ assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the reporting entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:
- A person or a close member of that person’s family is related to the reporting entity if that person:
  - has control or joint control over the reporting entity;
  - has significant influence over the reporting entity;
  - is a member of the management of the entity or its controlling entity.
- An entity is related to the reporting entity if any of the following conditions apply:
  - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
  - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
  - both entities are joint ventures of the same third party;
  - one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
  - the entity is controlled or jointly controlled by a person identified in (a); and
  - a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

The standard furthermore states that related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

The standard elaborates on the definitions and identification of:
- close member of the family of a person;
- management;
- related parties;
- remuneration; and
- significant influence.

The standard sets out the requirements, inter alia, for the disclosure of:
- control;

2. New standards and interpretations (continued)

- related party transactions; and
- remuneration of management.

Only transactions with related parties where the transactions are not concluded within normal operating procedures or on terms that are not no more or no less favourable than the terms it would use to conclude transactions with another entity or person are disclosed.

The standard requires that remuneration of management must be disclosed per person and in aggregate.

The standard has been approved by the Accounting Standards Board, but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time once it becomes effective.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

IGRAP 11: Consolidation – Special purpose entities

An entity may be created to accomplish a narrow and well-defined objective (e.g. to effect a lease, research and development activities or a securitisation of financial assets). Such a special purpose entity ('SPE') may take the form of a corporation, trust, partnership or unincorporated entity. SPEs often are created with legal arrangements that impose strict and sometimes permanent limits on the decision-making powers of their management over the operations of the SPE. Frequently, these provisions specify that the policy guiding the ongoing activities of the SPE cannot be modified, other than perhaps by its creator or sponsor (ie they operate on so-called 'autopilot'). The sponsor (or entity on whose behalf the SPE was created) frequently transfers assets to the SPE, obtains the right to use assets held by the SPE or performs services for the SPE, while other parties ('capital providers') may provide the funding to the SPE. An entity that engages in transactions with an SPE (frequently the creator or sponsor) may in substance control the SPE. A beneficial interest in an SPE may, for example, take the form of a debt instrument, an equity instrument, a participation right, a residual interest or a lease. Some beneficial interests may simply provide the holder with a fixed or stated rate of return, while others give the holder rights or access to other future economic benefits or service potential of the SPE's activities. In most cases, the creator or sponsor (or the entity on whose behalf the SPE was created) retains a significant beneficial interest in the SPE's activities, even though it may own little or none of the SPE's net assets.

The Standard of GRAP on Consolidated and Separate Financial Statements requires the consolidation of entities that are controlled by the reporting entity. However, the Standard of GRAP does not provide explicit guidance on the consolidation of SPEs. The issue is under what circumstances an entity should consolidate an SPE. This interpretation of the Standards of GRAP does not apply to post-employment benefit plans or other long-term employee benefit plans to which the Standard of GRAP on Employee Benefits applies.

A transfer of assets from an entity to an SPE may qualify as a sale by that entity. Even if the transfer does qualify as a sale, the provisions of the Standard of GRAP on Consolidated and Separate Financial Statements and this Interpretation of the Standards of GRAP may mean that the entity should consolidate the SPE. This Interpretation of the Standards of GRAP does not address the circumstances in which sale treatment should apply for the entity or the elimination of the consequences of such a sale upon consolidation.

The effective date of this interpretation is dependent on/in conjunction with the effective date of GRAP 105, 106 and 107.

The municipality expects to adopt the interpretation for the first time in the 2016 annual financial statements.

It is unlikely that the interpretation will have a material impact on the municipality's annual financial statements.

IGRAP 12: Jointly controlled entities – Non-monetary contributions by ventures

Paragraph .54 in the Standard of GRAP on Interests in Joint Ventures refers to both contributions and sales between a venturer and a joint venture as follows: 'When a venturer contributes or sells assets to a joint venture, recognition of any portion of a gain or loss from the transaction shall reflect the substance of the transaction'. In addition, paragraph 31 in the Standard of GRAP on Interests in Joint Ventures says that 'a jointly controlled entity is a joint venture that involves the establishment of a corporation, partnership or other entity in which each venturer has an interest'. There is no explicit guidance on the recognition of gains and losses resulting from contributions of non-monetary assets to jointly controlled entities ('JCEs').

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

Contributions to a JCE are transfers of assets by venturers in exchange for an interest in the net asset in the JCE. Such contributions may take various forms. Contributions may be made simultaneously by the venturers either upon establishing the JCE or subsequently. The consideration received by the venturer(s) in exchange for assets contributed to the JCE may also include cash or other consideration that does not depend on future cash flows of the JCE (‘additional consideration’).

The issues are:
- when the appropriate portion of gains or losses resulting from a contribution of a non-monetary asset to a JCE in exchange for an interest in the net assets in the JCE should be recognised by the venturer in surplus or deficit;
- how additional consideration should be accounted for by the venturer; and
- how any unrealised gain or loss should be presented in the consolidated financial statements.

This Interpretation of the Standards of GRAP deals with the venturer’s accounting for non-monetary contributions to a JCE in exchange for an interest in the net assets in the JCE that is accounted for using either the equity method or proportionate consolidation.

The effective date of this interpretation is dependent on/in conjunction with the effective date of GRAP 105, 106 and 107.

The municipality expects to adopt the interpretation for the first time in the 2016 annual financial statements.

It is unlikely that the interpretation will have a material impact on the municipality's annual financial statements.

GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements

The definition of ‘minority interest’ has been amended to ‘non-controlling interest’, and paragraph .60 was added by the Improvements to the Standards of GRAP issued in November 2010. An entity shall apply these amendments prospectively for annual financial periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107].

Paragraph .59 was amended by Improvements to the Standards of GRAP issued in November 2010. An entity shall apply these amendments prospectively for annual financial periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107] from the date at which it first applied the Standard of GRAP on Non-current Assets Held for Sale and Discontinued Operations.

The Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers amended paragraphs .03, .39, .47 to .50 and added paragraphs .51 to .58 and .61 to .62. An entity shall apply these amendments when it applies the Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers.

The municipality expects to adopt the amendment for the first time in the 2016 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 7 (as revised 2010): Investments in Associates

Paragraphs .03 and .42 were amended by the Improvements to the Standards of GRAP issued in November 2010. An entity shall apply these amendments prospectively for annual financial periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107].

The Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers amended paragraphs .22, .28 and .38 and added paragraph .24.

The municipality expects to adopt the amendment for the first time in the 2016 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 8 (as revised 2010): Interests in Joint Ventures

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

Paragraph .04 was amended by the Improvements to the Standards of GRAP issued in November 2010. An entity shall apply these amendments prospectively for annual financial periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107].

The Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers added paragraph .50 and amended paragraphs .51 and .52.

The municipality expects to adopt the amendment for the first time in the 2016 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 32: Service Concession Arrangements: Grantor

The standard applies to a contractual arrangement between a grantor and an operator in which the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specified period of time. The operator providing the mandated function on behalf of the grantor can either be a private party or another public sector entity. The standard applies to the grantor only.

PPP agreements that are governed and regulated in terms of the PFMA and MFMA, are some of the arrangements that fall within the scope of GRAP 32. For any other arrangements that meet the control criteria as set out in paragraph .07 of GRAP 32 the principles in the standard on accounting for such arrangements will apply.

An asset provided by the operator, or an upgrade to an existing asset, is recognised as a service concession asset with a corresponding liability, being the performance obligation, if certain criteria and conditions are met.

The standard has been approved by the Accounting Standards Board, but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time once it becomes effective.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 108: Statutory Receivables

GRAP 108 only deals with those receivables that arise from legislation or an equivalent means, such as regulations, bylaws or other documents issued in terms of legislation, such as ministerial orders and cabinet or municipal council decisions. Therefore in order to be statutory in nature specific legislation should require the municipality to undertake the transactions, such as outlining who should be taxed and at what rates and amounts.

Statutory receivables are not contractual receivables, the latter of which would normally meet the definition of a financial asset and will be within the scope of the Standard of GRAP on Financial Instruments. Statutory receivables are not voluntarily entered into as with contractual receivables because they arise as a result of specific legislative requirements.

Statutory receivables are initially measured at their transaction amount and subsequently using the cost method.

Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:
- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

The standard has been approved by the Accounting Standards Board, but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the standard when it is effective.

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

This interpretation provides guidance to the grantor where it has entered into a service concession arrangement, but only controls, through ownership, beneficial entitlement or otherwise, a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease.

A service concession arrangement is a contractual arrangement between a grantor and an operator in which the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specified period of time. The operator is compensated for its services over the period of the service concession arrangement, either through payments, or through receiving a right to earn revenue from third party users of the service concession asset, or the operator is given access to another revenue-generating asset of the grantor for its use.

Before the grantor can recognise a service concession asset in accordance with the Standard of GRAP on Service Concession Arrangements: Grantor, both the criteria as noted in paragraph .01 of this interpretation need to be met. In some service concession arrangements, the grantor only controls the residual interest in the service concession asset at the end of the arrangement, and can therefore not recognise the service concession asset in terms of the Standard of GRAP on Service Concession Arrangements: Grantor.

This interpretation concludes on the recognition of the performance obligation and the right to receive a significant interest in a service concession asset.

The interpretation has been approved by the Accounting Standards Board, but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the interpretation for the first time once it becomes effective, but has already formulated an accounting policy for this reporting period based on the interpretation.

It is unlikely that the interpretation will have a material impact on the municipality's annual financial statements.

Directive 11: Changes in Measurement Bases Following the Initial Adoption of Standards of GRAP

The objective of this directive is to permit the municipality to change its measurement bases following the initial adoption of Standards of GRAP. The change is based on the principles in the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors. This directive should therefore be read in conjunction with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

In applying paragraph 13(b) of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors, this directive allows the municipality, that has initially adopted the fair value model for investment property or the revaluation model for property, plant and equipment, intangible assets or heritage assets, to change its accounting policy on a once-off basis to the cost model when the municipality elects to change its accounting policy following the initial adoption of these Standards of GRAP. The once-off change will be allowed when the municipality made an inappropriate accounting policy choice on the initial adoption of the Standards of GRAP.

Subsequent to the application of this directive, the municipality will be allowed to change its accounting policy in future periods subject to it meeting the requirements in the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

The effective date of the directive is for years beginning on or after 01 April 2015.

The municipality expects to adopt the directive for the first time in the 2016 annual financial statements.

It is unlikely that the directive will have a material impact on the municipality's annual financial statements.

3. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	608 870	4 391 876
Short-term deposits	30 975	29 417
	639 845	**4 421 293**

Figures in Rand	2015	2014

3. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances 30 June 2015	30 June 2014	30 June 2013	Cash book balances 30 June 2015	30 June 2014	30 June 2013
ABSA BANK - Current account - 406 653 1831	286 719	3 429 074	657 264	286 719	3 429 074	657 264
ABSA BANK - current account - 186 027 0184	271 577	873 375	602 539	271 577	866 862	602 539
ABSA BANK - Short term deposit - 906 109 3425	30 975	29 417	27 975	30 975	29 417	27 975
FNB BANK - Current account - 624 019 56729	50 574	106 630	153 447	50 574	95 940	153 447
Total	**639 845**	**4 438 496**	**1 441 225**	**639 845**	**4 421 293**	**1 441 225**

4. Consumer receivables

	2015	2014
Gross balances		
Rates	10 469 272	8 542 408
Electricity	4 964 502	2 582 796
Water	19 624 299	16 250 958
Sewerage	14 180 726	11 162 131
Refuse	10 583 981	8 532 989
Sundry service	2 524 007	2 467 916
	62 346 787	**49 539 198**
Less: Allowance for impairment		
Impairment total	(60 609 250)	(46 547 075)
Net balance		
Rates	10 469 272	8 542 408
Electricity	4 964 502	2 582 796
Water	19 624 299	16 250 958
Sewerage	14 180 726	11 162 131
Refuse	10 583 981	8 532 989
Sundry service	2 524 007	2 467 916
Impairment loss	(60 609 250)	(46 547 075)
	1 737 537	**2 992 123**
Included in above is receivables from exchange transactions		
Electricity	4 964 502	2 582 792
Water	19 624 299	16 250 958
Sewerage	14 180 726	11 162 131
Refuse	10 583 981	8 532 989
Sundry services	2 524 007	2 467 916
	51 877 515	**40 996 786**
Included in above is receivables from non-exchange transactions (taxes and transfers)		
Rates	10 469 272	8 542 408
Net balance	**62 346 787**	**49 539 194**

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
4. Consumer receivables (continued)		
Rates		
Current (0 -30 days)	360 302	88 566
31 - 60 days	92 368	73 600
61 - 90 days	77 514	70 601
91 - 120 days	74 784	67 389
121 - 365 days	9 864 304	8 242 252
	10 469 272	**8 542 408**
Electricity		
Current (0 -30 days)	1 330 475	394 119
31 - 60 days	296 541	188 116
61 - 90 days	136 883	93 900
91 - 120 days	3 200 603	1 906 661
	4 964 502	**2 582 796**
Water		
Current (0 -30 days)	515 524	1 108 980
31 - 60 days	313 485	450 159
61 - 90 days	308 414	437 525
91 - 120 days	289 650	330 252
121 - 365 days	18 197 226	13 924 042
	19 624 299	**16 250 958**
Sewerage		
Current (0 -30 days)	299 424	276 624
31 - 60 days	289 368	261 057
61 - 90 days	274 256	257 939
91 - 120 days	273 172	256 689
121 - 365 days	13 044 506	10 109 822
	14 180 726	**11 162 131**
Refuse		
Current (0 -30 days)	200 037	189 268
31 - 60 days	193 050	181 870
61 - 90 days	184 928	179 533
91 - 120 days	183 241	178 591
121 - 365 days	9 822 725	7 803 727
	10 583 981	**8 532 989**
Sundry services		
Current (0 -30 days)	25 039	15 099
31 - 60 days	11 229	10 080
61 - 90 days	9 558	10 080
91 - 120 days	8 585	9 390
121 - 365 days	2 469 596	2 423 267
	2 524 007	**2 467 916**
Less: Allowance for impairment		
Balance	(60 609 250)	(46 547 075)

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

4. Consumer receivables (continued)

Summary of debtors by customer classification

Consumers		
Current (0 -30 days)	1 148 144	962 919
31 - 60 days	913 060	1 043 443
61 - 90 days	882 258	1 019 262
91 - 120 days	855 573	894 594
121 - 365 days	52 688 423	42 459 227
Advance payments	(465 979)	-
	56 021 479	46 379 445
Less: Allowance for impairment	(52 176 627)	(43 299 386)
	3 844 852	**3 080 059**

The amounts above consist of Domestic, Employees, Indigent, Normal, Rural, Unknown and closed accounts.

Business and farms		
Current (0 -30 days)	29 743	25 123
31 - 60 days	22 204	15 333
61 - 90 days	19 780	15 336
91 - 120 days	17 813	13 563
121 - 365 days	4 117 759	3 312 400
	4 207 299	3 381 755
Less: Allowance for impairment	(4 083 219)	(3 247 690)
	124 080	**134 065**

The amounts above consist of Plase, Farms and Business accounts.

National and provincial government		
Current (0 -30 days)	98 336	60 820
31 - 60 days	73 659	43 090
61 - 90 days	58 500	41 682
91 - 120 days	58 900	41 396
121 - 365 days	1 597 040	1 632 585
	1 886 435	**1 819 573**

The amounts above consist of Government, National government and provincial government.

Total		
Current (0 -30 days)	3 252 676	2 072 656
31 - 60 days	1 183 281	1 164 882
61 - 90 days	976 644	1 049 578
91 - 120 days	3 537 878	2 748 972
121 - 365 days	53 396 307	42 503 110
	62 346 786	49 539 198
Less: Allowance for impairment	(60 609 250)	(46 547 075)
	1 737 536	**2 992 123**

Reconciliation of allowance for impairment		
Balance at beginning of the year	(46 547 075)	(22 831 028)
Contributions to allowance	(14 062 175)	(23 716 047)
	(60 609 250)	**(46 547 075)**

Figures in Rand	2015	2014

4. Consumer receivables (continued)

Consumer receivables pledged as security

None of the consumer receivables were pledged as security.

Credit quality of consumer receivables

The credit quality of consumer receivables that are neither past nor due nor impaired can be assessed by reference to istorical information about counterparty default rates.

None of the financial assets that are fully performing have been renegotiated in the last year. The were none ageing of consumer receivables past due but not impaired.

Consumer receivables past due not impaired

Consumer reivables from hich are less than 60days past due are not considered to be impaired. At 30 June 2015, R 3 421 370 were past due but not impaired. There were not accounts past due not impaired during the 2014 financial year.

The ageing of amounts past due but not impaired is as follows:

1 month past due	157 405	-
2 months past due	78 836	-
3 months past due	3 185 129	-

Consumer receivables impaired

As of 30 June 2015, consumer receivables of R 60 146 411 (2014: R 49 453 799) were impaired and provided for.

The amount of the allowance was R 60 609 250 as of 30 June 2015 (2014: R 46 547 075).

The ageing of these consumer receivables is as follows:

0 to 3 months	3 714 956	3 076 717
Over 3 months	56 431 455	46 377 038

5. Other receivables from exchange transactions

Deposits	15 000	-
Pre-paid electricity vendors	209 693	-
Short term debtors	27 620	27 620
	252 313	**27 620**

Credit quality of trade and other receivables

The credit quality of trade and other receivables that are neither past nor due nor impaired can be assessed by reference to historical information about counterparty default rates:

None of the financial assets that are fully performing have been renegotiated in the last year.

Trade and other receivables past due but not impaired

Trade and other receivables which are less than 60 days past due are not considered to be impaired. At 30 June 2015, R 27 620 (2014: R 27 620) were past due but not impaired.

3 months past due	27 620	27 620

Trade and other receivables impaired

No impairment was provided for these receivables .

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

6. VAT receivable

VAT	1 820 391	1 201 997

The municipality is registered for VAT on the payment basis.

7. Inventories

Consumables stores	70 851	68 852
Water	25 346	12 155
	96 197	**81 007**

Consumables recognised as an expense during the year.	70 851	52 260
Water purchases (bulk) recognised as an expense during the year.	6 971 323	5 396 249

Inventory pledged as security

None of the Inventory was pledged as security.

8. Investment property

	2015			2014		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	1 090 000	-	1 090 000	1 090 000	-	1 090 000

Reconciliation of investment property - 2015

	Opening balance	Total
Investment property	1 090 000	1 090 000

Reconciliation of investment property - 2014

	Opening balance	Fair value adjustments	Total
Investment property	2 520 000	(1 430 000)	1 090 000

Pledged as security

None if the above investment property have been pledged as security.

Details of property

	2015	2014
Dwelling 278		
On erven 278 in Wepener		
- Opening balance	240 000	510 000
- Fair value adjustments	-	(270 000)
	240 000	**240 000**

The cost price of the asset is not available and not registered in the deed registry, the asset was purchased on 3 July 1939.

The dwelling consists of a single story residential unit, constructed of plastered brick walls under a corrugated metal roof. The interior has standard fittings and finishes with tile and carpet floors. The house is equipped with rhino board and suspended ceilings, standard light fittings and steel window frames.

	2015	2014
Dwelling 296		
Terms and conditions		
- On erven 296 in Wepener	270 000	210 000
- Fair adjustments	-	60 000
	270 000	**270 000**

The cost price of the asset is not available and not registered in the deed registry, the asset was purchased on 3 July 1939.

Two single story residential units, constructed of plastered brick walls under a corrugated metal roof. The interior has standard fittings and finishes with novilon and carpet floors. The house is equipped with rhino board and suspended ceilings, standard light fittings and steel window frames.

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

8. Investment property (continued)

Flats at 42 Hooge Street

On erven 315, 317 and 319 in Dewetsdorp		
- Opening	580 000	1 800 000
- Fair adjustments	-	(1 220 000)
	580 000	**580 000**

The cost price of the asset was R8,000, the assets were purchased on 8 October 1993 and 24 March 1994.

A townhouse complex situated on 42 Hooge street, Dewetsdorp. Complex consisting of 10 units.The demand for this this type and quality of property in this specific area is low.The improvements have generally been well maintained and the stands are not fully utilized.

Details of valuation

The effective date of the revaluations was 30 June 2014. Revaluations were performed by an independent valuer, Raymond Taylor [Professional Associate Valuer Reg. No. 5916/1], of NID Valuators. NID Valuators are not connected to the municipality and have recent experience in location and category of the investment property being valued.

The valuation was based on open market value for existing use.

Amounts recognised in surplus and deficit for the year.

Rental revenue from investment property	93 255	103 678

No direct expenditure had been incurred in the generation of rental revenue from investment property.

There are no restrictions on the remittance of revenue and proceeds of disposal for the investment property.

There are no contractual obligations to purchase, construct or develop investment property.

There are no contractual obligations for repairs, maintenance or enhancements.

Notes to the Annual Financial Statements

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9. Property, plant and equipment

	2015			2014		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Buildings	36 684 612	(28 519 969)	8 164 643	36 684 613	(27 808 207)	8 876 406
Community	101 495 215	(40 200 336)	61 294 879	76 953 157	(38 715 418)	38 237 739
Furniture and fixtures	1 619 777	(1 235 964)	383 813	1 627 316	(1 124 559)	502 757
IT equipment	720 577	(502 473)	218 104	632 211	(426 429)	205 782
Motor vehicles	6 176 844	(4 729 157)	1 447 687	6 296 744	(4 387 233)	1 909 511
Musical instruments	596 900	(497 439)	99 461	596 900	(358 099)	238 801
Infrastructure	431 958 910	(231 848 709)	200 110 201	431 958 910	(222 130 595)	209 828 315
Office equipment	167 822	(118 797)	49 025	394 645	(318 391)	76 254
Other assets	1 018	(994)	24	1 018	(984)	34
Plant and equipment	347 558	(226 451)	121 107	331 798	(190 892)	140 906
Work in progress	37 394 232	-	37 394 232	29 900 580	-	29 900 580
Total	**617 163 465**	**(307 880 289)**	**309 283 176**	**585 377 892**	**(295 460 807)**	**289 917 085**

Notes to the Annual Financial Statements

Figures in Rand

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Buildings	8 876 407	-	-	-	(711 764)	-	8 164 643
Community	38 237 739	24 542 057	-	1 816	(1 486 734)	-	61 294 878
Furniture and fixtures	502 757	58 567	(6 916)	-	(154 530)	(16 065)	383 813
IT equipment	205 782	88 366	-	-	(63 086)	(12 957)	218 105
Infrastructure	209 828 316	-	-	(1 816)	(9 716 299)	-	200 110 201
Motor vehicles	1 909 512	-	-	-	(431 886)	(29 939)	1 447 687
Musical instruments	238 801	-	-	-	(41 165)	(98 175)	99 461
Office equipment	76 254	20 700	(17 192)	-	(28 066)	(2 671)	49 025
Other assets	34	-	-	-	(10)	-	24
Plant and equipment	140 906	39 600	(5 138)	-	(29 024)	(25 237)	121 107
Work in progress	29 900 580	7 493 652	-	-	-	-	37 394 232
	289 917 088	**32 242 942**	**(29 246)**	**-**	**(12 662 564)**	**(185 044)**	**309 283 176**

Notes to the Annual Financial Statements

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	Completed projects transferred and recognised	Depreciation	Impairment loss	Total
Buildings	9 954 909	-	-	(1 078 502)	-	8 876 407
Community	40 495 852	-	-	(2 258 113)	-	38 237 739
Furniture and fixtures	692 981	-	-	(165 892)	(24 332)	502 757
IT equipment	218 554	-	-	(12 772)	-	205 782
Infrastructure	215 602 365	-	7 001 614	(12 775 663)	-	209 828 316
Motor vehicles	2 588 369	-	-	(562 415)	(116 442)	1 909 512
Musical instruments	238 801	-	-	-	-	238 801
Office equipment	194 821	65 393	-	(142 232)	(41 728)	76 254
Other assets	1 421	-	-	(1 387)	-	34
Plant and equipment	145 332	50 388	-	(47 547)	(7 267)	140 906
Work in progress	20 888 984	16 013 210	(7 001 614)	-	-	29 900 580
	291 022 389	**16 128 991**	**-**	**(17 044 523)**	**(189 769)**	**289 917 088**

Pledged as security

None of the above property, plant and equipment have been pledged as security.

Reconciliation of Work-in-Progress 2015

	Infrastructure	Total
Opening balance	29 900 580	29 900 580
Additions/capital expenditure	7 493 652	7 493 652
	37 394 232	**37 394 232**

9. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2014

	Infrastructure	Total
Opening balance	20 888 984	20 888 984
Additions/capital expenditure	16 013 210	16 013 210
Transferred to completed items	(7 001 614)	(7 001 614)
	29 900 580	**29 900 580**

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

The user of the financial statements should take note that the Van Stadensrus Sports stadium which is currently disclosed as Work in Progress within the asset categories of Naledi Local Municipality, could be subject to overstatement and possible impairment as and when the asset will be recognised as an addition. This is attributable due to possible over capitalising of the project as the first contractor had been replaced.

10. Intangible assets

	2015			2014		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Servitudes	311 040	-	311 040	311 040	-	311 040

Reconciliation of intangible assets - 2015

	Opening balance	Total
Servitutes	311 040	311 040

Reconciliation of intangible assets - 2014

	Opening balance	Total
Servitudes	311 040	311 040

Pledged as security

None of the above these assets have been pledged as security.

Other information

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

The useful life was reviewed and no events and circumstances were identified which does not support an indefinite useful life assessment.

The intangible assets are deemed to be indefinite due to the nature of the asset.

11. Other financial assets

Designated at fair value

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
11. Other financial assets (continued)		
Senwes Ltd shares 1455 shares @ R10.40 (2014: R10.25) published market value per share	15 132	15 036
Senwesbel Ltd shares 2230 shares @ R6.05 (2014: R5.50) published market value per share	13 380	12 265
OVK Operations Ltd shares 3273 shares @ R13.35 (2014: R10.61) published market value per share	41 179	34 980
OVK Holdings Ltd shares 3406 shares @ R12.31 (2014: R10.49) published market value per share	45 660	35 729
Non-current assets		
Fair value	115 350	98 010

Financial assets at fair value

Fair value hierarchy of financial assets at fair value

For financial assets recognised at fair value, disclosure is required of a fair value hierarchy which reflects the significance of the inputs used to make the measurements. The fair value hierarchy have the following levels:

Level 1 represents those assets which are measured using unadjusted quoted prices in active markets for identical assets.

Level 2 applies inputs other than quoted prices that are observable for the assets either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 applies inputs which are not based on observable market data.

	2015	2014
Level 1		
Senwes Ltd	15 132	15 036
Senwesbel Ltd	13 380	12 265
OVK Operations Ltd	41 179	34 980
OVK Holding Ltd	45 660	35 729
	115 351	**98 010**

Figures in Rand	2015	2014

12. Payables from exchange transactions

Accrued 13th cheque	702 970	816 091
Accrued leave pay	2 653 008	2 166 409
Centlec creditor	15 549 370	12 226 129
Operating lease payables	3 850	-
Payments received in advance - Centlec	682 548	40 921
Payments received in advance - Naledi	966 583	1 275 216
Retentions	1 326 701	1 416 152
Payroll account	1 222 136	-
Sundry deposits	-	350
Suspence account	48 946	48 176
Trade payables	6 878 876	6 894 062
	30 034 988	**24 883 506**

13. Consumer deposits

Electricity (Centlec and Naledi)	310 000	173 160
Water	572 001	395 668
	882 001	**568 828**

14. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Department of water affairs	1 391 170	3 619 309
Expanded public works programme	42 615	438 054
Management infrastructure grant	3 379 728	-
	4 813 513	**4 057 363**

Movement during the year

Balance at the beginning of the year	4 057 363	112 523
Additions during the year	17 860 000	23 338 900
Income recognition during the year	(16 264 850)	(19 282 158)
Repayment to National Revenue Fund	(839 000)	(111 902)
	4 813 513	**4 057 363**

See note 24 for reconciliation of grants from National/Provincial Government.

15. Other financial liabilities

At amortised cost		
Centlec loan The loan from Centlec is repayable in equal annual installments of R113 845, interest is levied at 10% on capital amounts outstanding.	200 879	309 591
Non-current liabilities		
At amortised cost	180 804	201 115
Current liabilities		
At amortised cost	20 075	108 475

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

16. Employee benefit obligations

Non-Current liabilities

Post- employment medical aid benefit	968 000	1 065 000
Long service award	2 000 000	1 692 000
	2 968 000	**2 757 000**

Current liabilities

Post- employment medical aid benefit	91 000	144 000
Long service award	266 000	131 000
	357 000	**275 000**

Amounts recognised in the statement of financial performance

Current service cost	238 000	217 000
Finance cost	251 000	210 000
	489 000	**427 000**

There are no plan assets and liabilities are unfunded.

Amounts for current and previous four periods are as follows:

	2015	2014	2013	2012
Post employment medical aid benefit	1 059 000	1 209 000	1 225 000	1 159 000
Long service award	2 266 000	1 823 000	1 511 000	1 122 000
	3 325 000	**3 032 000**	**2 736 000**	**2 281 000**

Post- employment medical aid benefit

Medical Aid Scheme Arrangements

The Municipality offers employees and continuation members (pensioners) the opportunity of belonging to one of several medical aid schemes, most of which offer a range of options pertaining to levels of cover. Upon retirement, an employee may continue membership of the medical aid scheme. Upon a member's death-in-service or death-in-retirement, the surviving dependants may continue membership of the medical aid scheme.

Contribution Rate Structure

Members contribute according to tables of contribution rates which differentiate between them on the type and number of dependants. Some options also differentiate on the basis of income.

Subsidy Arrangements

The Municipality has agreed to subsidise the medical aid contributions of retired members in the following way:

- All existing continuation members (pensioners) and their dependants will continue to receive a **60%** subsidy subject to the maximum (CAP) amount o**f R 3,763.30** (per month per member) for the period from **1 July 2015 to 30 June 2016.** The maximum (CAP) amount was **R 3,618.04** in the previous financial year.

- The Maximum subsidy is expected to increase at 50% of inflation.

Changes in the present value of the post - employment medical aid benefit obligation are as follows:

Opening balance	1 209 000	1 225 000
Benefits paid	(188 809)	(139 000)
Net expense recognised in the statement of financial performance	38 809	123 000
	1 059 000	**1 209 000**

Figures in Rand	2015	2014

16. Employee benefit obligations (continued)

Net expense of the post - employment medical aid benefit obligation recognised in the statement of financial performance

	2015	2014
Interest cost	102 000	91 000
Actuarial (gains) losses	(63 191)	32 000
	38 809	**123 000**

Key assumptions used

The table summarises the financial assumption used.

Discount rates	Yield Curve	8,94 %
Consumer price inflation (CPI)	Difference between nominal and yield curves	7,05 %
Medical aid contribution inflation	CPI+1%	8,05 %
Net effective discount rate	Yield curve based	0,82 %

GRAP 25 defines the determination of the Discount rate assumption to be used as follows:

“The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, an entity uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.”.

We used the nominal and real zero curves as at 30 June 2015 supplied by the JSE to determine our discount rates and CPI assumptions at each relevant time period. In the event that the valuation is performed prior to the effective valuation date, we use the prevailing yield at the time of performing our calculations. We have changed this methodology from a point estimate in order to present a more accurate depiction of the liability. For example a liability which pays out in 1 year will be discounted at a different rate than a liability which pays out in 30 years. Previously only one discount rate was used to value all the liabilities.

Medical aid inflation

The Medical Aid Contribution Inflation rate was set with reference to the past relationship between the (yield curve based) Discount Rate for each relevant time period and the (yield curve based) Medical Aid Contribution Inflation for each relevant time period.

South Africa has experienced high health care cost inflation in recent years. The annualised compound rates of increase for the last ten years show that registered medical aid schemes contribution inflation outstripped general CPI by almost 3% year on year. We do not consider these increases to be sustainable and have assumed that medical aid contribution increases would out-strip general inflation by 1% per annum over the foreseeable future.

Mortality Rates

Mortality before retirement has been based on the SA 85-90 mortality tables. These are the most commonly used tables in the industry. Mortality post-employment (for pensioners) has been based on the PA (90) ultimate mortality tables. No explicit assumption was made about additional mortality or health care costs due to AIDS.

Spouses and Dependants

Where necessary it was assumed that female spouses would be **five** years younger than their male spouses at retirement and vice versa.

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

16. Employee benefit obligations (continued)

Other assumptions

We have illustrated the effect of higher and lower mortality rates by increasing and decreasing the mortality rates by 20%. The effect is as follows:

	20% Mortality rate decrease	20% Mortality rate increase
Total accrued liability	1 177 000	965 000
Interest cost	102 000	83 000

Medical aid inflation

We have tested the effect of a 1% p.a. change in the medical aid inflation assumption. The effect is as follows:

	1% Medical aid inflation decrease	1% Medical aid inflation increase
Total accrued liability	1 031 000	1 084 000
Interest cost	89 000	93 000

Long service award

Changes in the present value of the long service award are as follows:

Opening balance	1 823 000	1 511 000
Benefits paid	-	(140 000)
Net expense recognised in the statement of financial performance	443 000	452 000
	2 266 000	**1 823 000**

Net expense of the long service award recognised in the statement of financial performance

Current service cost	238 000	217 000
Interest cost	149 000	119 000
Actuarial losses	56 000	116 000
	443 000	**452 000**

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	Yield Curve	7,96 %
Consumer price inflation	Difference between nominal and real yield curve	6,33 %
Normal salary increase rate	CPI+1%	7,33 %
Nett effective discount rate	Yield Curve Based	0,59 %

Discount rate

GRAP 25 defines the determination of the Discount rate assumption to be used as follows:
“The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, an entity uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.”

16. Employee benefit obligations (continued)

Normal salary inflation

We have derived the underlying future rate of the consumer price index (CPI) from the relationship between the current conventional bond yields (R208) and current index-linked bond yields (R197). The actual yield on the R208 and R197 government bonds was sourced from the RMB Global Markets' website on year end. Our assumed rate of salary inflation was set as the assumed value of CPI plus 1%. The salaries used in the valuation include an assumed increase on 1 July 2014 of 6.79%. The next salary increase was assumed to take place on 1 July 2015.

In addition to the normal salary inflation rate, we assumed the following promotional salary increases:

Age band	Promotional Increase
20 - 24	5 %
25 - 29	4 %
30 - 34	3 %
35 - 39	2 %
40 - 44	1 %
	15 %

Average retirement rate

The average retirement age for all active employees was assumed to be 63 years. This assumption implicitly allows for ill-health and early retirements.

Normal retirement age

The normal retirement age (NORA) for all active employees was assumed to be 65 years.

Mortality rate

Mortality before retirement has been based on the SA 85-90 mortality tables. These are the most commonly used tables in the industry.

Withdrawal decreasements

The following table sets out the assumed rates of withdrawal from service:

Age band	Withdrawal rate - males	Withdrawal rate - females
20 - 24	16 %	24 %
25 - 29	12 %	18 %
30 - 34	10 %	15 %
35 - 39	8 %	10 %
40 - 44	6 %	6 %
45 - 49	4 %	4 %
50 - 54	2 %	2 %
55 - 59	1 %	1 %
60 +	- %	- %

Sensitivity analysis - Withdrawal rate

Deviations form the assumed level of withdrawal experience of the eligible employees will have a large impact on the actual cost to the Municipality. If the actual rates of withdrawal turns out to be higher tan the rates assumed in the valuation basis, then the cost to the Municipality in the form of benefits will reduce and vice versa.

A twenty percentage point change in the assumed withdrawal rate trend would have the following effects:

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

16. Employee benefit obligations (continued)

	20% point increase	20% point decrease
Total accrued liability	2 130 000	2 419 000
Current service cost	247 000	289 000
Interest cost	200 000	228 000

Sensitivity analysis - Normal salary inflation

The cost of the long service awards is dependant on the increase in the annual salaries paid to the employees. The rate at which salaries increase will thus have a direct effect on the liability of future retirees.

A one percentage point change in assumed normal salary inflation trends would have the following effects:

	1% point increase	1% point decrease
Total accrued liability	2 434 000	2 116 000
Current service cost	287 000	248 000
Interest cost	229 000	198 000

Notes to the Annual Financial Statements

Figures in Rand

17. Provisions

Reconciliation of provisions - 2015

	Opening Balance	Additions	Change in discount factor	Total
Dewetsdorp	7 783 751	14 173 219	3 042 798	24 999 768
Van Stadensrus	1 577 832	1 682 539	(183 052)	3 077 319
Wepener	2 770 448	5 051 394	775 158	8 597 000
	12 132 031	**20 907 152**	**3 634 904**	**36 674 087**

Reconciliation of landfill closure cost - 2014

	Opening Balance	Additions	Total
Dewetsdorp	7 329 568	454 183	7 783 751
Van Stadensrus	1 486 513	91 319	1 577 832
Wepener	2 609 442	161 006	2 770 448
	11 425 523	**706 508**	**12 132 031**

Non-current liabilities	33 596 769	-
Current liabilities	3 077 319	12 132 030
	36 674 088	**12 132 030**

In order to determine the rehabilitation cost for each site the Minimum Requirements (2nd Edition, 1998) form the Department of Water affairs and Forestry (DWAF) were used as a guideline for the design of the capping layer as well as the capacity of the storm water drainage system. If a site is unpermitted/unlicensed, the classification is assumed according to the volume of waste received per day at the site, the type of waste received and the climatic region in which the site is located, i.e. the factors that determine the classification of a licensed site.

The closure of a landfill site, regardless if it is licensed/permitted or not, requires a closure license as well as rehabilitation. The Minimum Requirements states that "in order to close a landfill properly, however, closure must be precede by rehabilitation to ensure that the site is environmentally acceptable". Due to the fact that the same requirements are set for the closure process for licensed/permitted and unlicensed/unpermitted sites, no distinction in the description of the process were made between licensed/permitted and unlicensed/unpermitted sites in the calculations.

17. Provisions (continued)

The actual cost are determined by calculating the volumes of excavations, material required and legal requirements according to the footprint of each individual site. Previous estimate of the rates used for each item of work are escalated using the Consumer Price Index. The individual rates are then again cross-checked to determine if they are still in line with current rates for similar activities and adjusted accordingly. No disposal values were available and assumptions were made related to the population and average waste generation rates to estimate the waste volumes received per site. It was necessary to assume a classification according to the Minimum Requirements in order to determine the capping requirements. In order to give a general explanation for the significant rehabilitation estimate increases as compared to the previous estimates, the previous capping design (MR2) has been priced per square meter versus the capping design provided for in the 2015 estimates. The MR2 capping design was updated as per details contained in the recommendations made by the regulating authorities. The estimates are also based on rates for importing the capping materials from commercial sources and local sources. The comparison shows an increase of approximately 437% per square meter of waste body requiring rehabilitation.
A contingent liability is raised for a possible penalty to be imposed for operating an unlicensed landfill site by the Department of Environmental Affairs. Refer to the note on contingent liabilities for the detail.

The municipality have the following unlicensed landfill site at year end:None of the sites under consideration are permitted/licensed:
(a) Van Stadensrus

18. Financial instruments disclosure

Categories of financial instruments

2015

Financial assets

	At fair value	At amortised cost	Total
Other financial assets	115 350	-	115 350
Cash and cash equivalents	-	639 845	639 845
Consumer receivables	-	1 737 537	1 737 537
Other receivables from exchange transactions	-	252 313	252 313
	115 350	**2 629 695**	**2 745 045**

Financial liabilities

. Financial instruments disclosure (continued)

	At amortised cost	Total
Consumer deposits	882 001	882 001
Other financial liabilities	20 075	20 075
Payables from exchange transactions	31 728 728	31 728 728
Unspent conditional grants and receipts	4 813 513	4 813 513
	37 444 317	**37 444 317**

2014

Financial assets

	At fair value	At amortised cost	Total
Cash and cash equivalents	-	4 421 293	4 421 293
Consumer receivables	-	2 992 123	2 992 123
Other financial assets	98 010	-	98 010
Other receivables from exchange transactions	-	27 620	27 620
	98 010	**7 441 036**	**7 539 046**

Financial liabilities

	At amortised cost	Total
Consumer deposits	568 828	568 828
Other financial liabilities	309 590	309 590
Payables from exchange transactions	25 354 560	25 354 560
Unspent conditional grants and receipts	4 057 363	4 057 363
	30 290 341	**30 290 341**

19. Service charges

Sale of electricity	20 681 799	15 458 225
Sale of water	5 425 181	6 062 691
Solid waste	4 083 914	3 824 271
Sewerage and sanitation charges	5 767 553	5 450 077
Solid waste rebate	(1 732 878)	(1 551 855)
Sewerage and sanitation rebate	(2 228 158)	(1 995 618)
Water rebate	(876 876)	(964 491)
	31 120 535	**26 283 300**

20. Investment revenue

Dividend revenue		
Unlisted financial assets - local	3 579	3 263
Interest revenue		
Cash and cash equivalents	151 063	121 612
	154 642	**124 875**

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

21. Rental income

Premises		
Camps	-	3 000
Houses	93 255	103 678
Town hall	18 940	14 540
Town land	-	3 541
Vodacom, MTN and Cell C	175 329	236 896
	287 524	**361 655**

22. Other income

Building plan fees	968	907
Burial fees	45 864	50 068
Centlec - other income	41 561	32 704
Clearance and valuation certificates issued	16 451	20 023
Connection fees	1 168	-
Fines	32 139	36 969
Other income	3 397	1 336
Photocopy charges	26 171	25 835
Refunds received	891 004	1 743
Sale of erven	1 053	1 053
Sundry revenue	55 559	48 210
Tender fees	21 500	7 000
Trading license fees	12 145	1 248
	1 148 980	**227 096**

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

23. Property rates

Rates received

Commercial	273 215	228 134
Residential	1 961 686	2 387 585
Small holdings and farms	1 719 049	1 754 446
State	872 003	26 308
Less: rebates	(1 045 585)	(901 309)
	3 507 153	3 267 030
	3 780 368	**3 495 164**

The following information relates to the different categories:

Business/Commercial
Tariff for 2015 are R0.0091 (2014 R0.0085)

Residential
Tariffs for 2015 are R0.0095 (2014: R0.0085).

Agricultural - Normal
Tariff for 2015 are R0.0017 (2014 R0.0015).

State - Owned (Government)
Tariff for 2015 are R0.0183 (2014 R0.0170)

State - Owned (Government Agriculture
Tariff for 2015 are R0.00348 (2014 R0.0031)

Indigents
Tariff for 2015 are R0.00 (2014 R0.00)

Valuations

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2011. The new general valuation roll will be implemented on 01 July 2015.

	Value of Property
Commercial	33 212 000
Community	6 004 000
Residential	229 374 600
Small holdings and farms	988 074 000
State	186 224 000
	1 442 888 600

Figures in Rand	2015	2014

24. Government grants and subsidies

Operating grants		
Cooperative Governance and Traditional Affairs Grant	720 000	5 720 000
Equitable shares	39 111 000	38 199 523
Finance Management Grant	1 800 000	1 650 000
Municipal Systems Improvement Grant	934 000	890 000
	42 565 000	46 459 523
Capital grants		
Department of Water Affairs grant	1 389 138	2 424 591
Expanded Public Works Programme grant	1 395 440	561 946
Municipal Infrastructure Grant	10 026 272	16 295 620
	12 810 850	19 282 157
	55 375 850	**65 741 680**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	12 450 249	19 282 158
Unconditional grants received	42 565 000	46 459 524
	55 015 249	**65 741 682**

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

Department of water affairs grant

Balance unspent at beginning of year	3 619 309	-
Current-year receipts	-	6 043 900
Conditions met - transferred to revenue	(1 389 139)	(2 424 591)
Repayment to National Revenue Fund	(839 000)	-
	1 391 170	**3 619 309**

Conditions still to be met - remain liabilities (see note 14).

In terms of the constitution, this grant is for the drilling and maintaining of boreholes in the Naledi district.

Expanded public works program grant (EPWP)

Balance unspent at beginning of year	438 054	-
Current-year receipts	1 000 000	1 000 000
Conditions met - transferred to revenue	(1 395 439)	(561 946)
	42 615	**438 054**

Conditions still to be met - remain liabilities (see note 14).

The EPWP is a nationwide programme covering all spheres of government and state-owned enterprises. The Programme provides an important avenue for labour absorption and income transfers to poor households in the short to medium-term. It is also a deliberate attempt by the public sector bodies to use expenditure on goods and services to create work opportunities for the unemployed.Provide explanations of conditions still to be met and other relevant information.

Finance management grant

Current-year receipts	1 800 000	1 650 000

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

24. Government grants and subsidies (continued)

Conditions met - transferred to revenue	(1 800 000)	(1 650 000)
	-	-

Conditions still to be met - remain liabilities (see note 14).

In terms of the constitution, this grant is used to assist and support the implementation of the financial management reforms attendance at accredited training sessions and capacity building programmes on financial management.

Municipal systems improvement grant

Balance unspent at beginning of year	-	112 523
Current-year receipts	934 000	890 000
Conditions met - transferred to revenue	(934 000)	(890 000)
Other	-	(112 523)
	-	-

In term of the constitution, this grant is used for building the capacity of the municipalities to implement sound institutional and governance systems required in terms of local government legislation.

Municipal infrastructure grant

Current-year receipts	13 406 000	16 295 000
Conditions met - transferred to revenue	(10 026 272)	(16 295 000)
	3 379 728	-

In terms of the Constitution, this grant is used to provide specific capital finance for basic municipal infrastructure backlogs for poor households, micro enterprises and social institutions servicing poor communities.

Cooperative Governance and Traditional Affairs Grant (CoGTA)

Current-year receipts	720 000	5 720 000
Conditions met - transferred to revenue	(720 000)	(5 720 000)
	-	-

Conditions still to be met - remain liabilities (see note 14).

Provide explanations of conditions still to be met and other relevant information.

Financial assistance received from COGTA to pay the remunerationof the CFO. During 2014 an additional amount was recieved to assist with the payment of the Bloemwater account.

25. Public contributions and donations

Local Government (COGTA, National Treasury)	2 155 495	1 245 936

COGTA and National Treasury paid AGSA on behalf of Naledi Municipality in an attempt to reduce the audit fee.

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

26. Employee related costs

13th cheques	1 170 930	1 258 990
Acting allowances	89 045	140 448
Basic	17 200 420	15 770 480
Contribution to medical aid, bargaining council, pension and provident fund	4 917 280	4 255 316
Current service cost	238 000	217 000
Finance management grant Salaries	607 799	690 000
Housing subsidy	330 206	307 946
Leave pay provision charge	513 208	272 025
Other allowances	180 319	152 806
Overtime payments	980 827	1 315 472
Skill development levy	216 032	207 773
Travel, motor car, accommodation, subsistence and other allowances	1 926 669	1 911 873
Unemployment insurance fund	161 177	193 362
Workmen's compensation	210 000	81 828
	28 741 912	**26 775 319**

Remuneration of Municipal Manager (Mr. Lefora QW)

Annual Remuneration	608 383	565 200
13th cheque and backpay	32 221	33 147
Travel, motor car and other allowances	255 908	243 569
Contributions to UIF, medical and pension funds	170 440	148 188
	1 066 952	**990 104**

Remuneration as reflected in 2014/15 is for a period of 12 months.

Remuneration of the Chief Financial Officer (Mr. Moses TO)

Annual Remuneration	522 516	483 811
Car Allowance	27 808	228 404
13th cheque and backpay	124 107	25 680
Contributions to UIF, medical and pension funds	247 959	115 087
	922 390	**852 982**

Remuneration as reflected in 2014/15 is for a period of 12 months.

Remuneration of acting director - Technical services (Mr. Tsekedi TM)

Annual Remuneration	-	157 201
13th cheque and backpay	-	19 650
Travel, motor car and other allowances	-	143 332
Contributions to UIF, medical and pension funds	-	53 888
	-	**374 071**

The Area Manager of Wepener acted as Director Technical Services for the period July 2014 - February 2014

Figures in Rand	2015	2014

26. Employee related costs (continued)

Remuneration of acting director - Technical services (Mr. Mohapi LI)

Annual Remuneration	-	93 165
13th cheque and backpay	-	24 130
Travel, motor car and other allowances	-	59 720
Contributions to UIF, medical and pension funds	-	28 690
	-	**205 705**

The Environmental Health Practitioner acted as Director Technical Services for the period March 2014 - May 2014.

Mr D Ramabitsa was seconded from Lejweleputswa District Municipality to Naledi Municipality from 01 May 2014 to 31 March 2015. The Technical Services Director position was vacant from 01 April 2015 to 30 June 2015. The costs of travelling and accommodation were borne by CoGTA.

Remuneration of director - Corporate services (Ms. Sigadi N)

Annual Remuneration	506 573	470 372
13th cheque and backpay	26 912	24 665
Travel, motor car and other allowances	233 009	222 856
Contributions to UIF, medical and pension funds	120 337	111 902
	886 831	**829 795**

Remuneration as reflected in 2014/15 is for a period of 12 months.

Defined contribution plan

It is the policy of the municipality to provide retirement benefits to all its employees. A number of defined contribution provident funds namely Samwu Nat Provident Fund, Vrystaat Provident Fund, Vrystaat Mun Pensioen fond, Sala Pension, Municipal employees fund which are subject to the Pensions Fund Act, exist for this purpose.

The municipality is under no obligation to cover any unfunded benefits.

Total contribution to such schemes	3 358 262	2 937 501

27. Remuneration of councillors

Executive Major	486 405	460 308
Chief Whip	518 577	492 675
Councillors	947 167	870 772
Travel, motor car and other allowances	151 504	141 791
	2 103 653	**1 965 546**

In-kind benefits

The Executive Mayor's is full-time and Councillors are part-time. The Executive Mayor is provided with an office and secretarial support at the cost of the Council.

The Executive Mayor is entitled to the use of a council provided vehicle for official duties and has one full-time bodyguard and a driver at the cost of the council.

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

27. Remuneration of councillors (continued)

2015	Annual remuneration	Travel, motor car and other allowances	Contributions to UIF, Bargaining Council, SDL, Medical and Pension Funds	Back pay	Total
Ms. Mahase M.	463 383	163 291	21 231	23 022	670 927
Mr. Tladi GM.	140 553	45 678	81	10 951	197 263
Mr. Haddad MG.	140 553	59 721	81	10 951	211 306
Mr. Mahloko MD.	140 553	53 161	81	10 951	204 746
Mr. Makitle J.	140 553	49 338	81	10 951	200 923
Mr. Motseledi TD.	24 464	11 632	14	-	36 110
Mr. Rakhunoane K.	105 421	42 273	9 697	10 951	168 342
Ms. Sehloho ML.	187 403	-	81	10 951	198 435
Mr. Seoko MM.	140 553	62 053	81	12 914	215 601
	1 483 436	**487 147**	**31 428**	**101 642**	**2 103 653**

2014	Annual remuneration	Travel, motorcar and other allowances	Contribution to medical aid and pensionfunds	Back pay	Total
Ms. Mahase M.	447 471	154 511	17 704	12 837	632 523
Mr. Tladi GM.	133 478	45 800	76	8 312	187 666
Mr. Haddad MG.	134 078	57 646	76	3 846	195 646
Mr. Mahloko MD.	134 078	46 350	76	6 745	187 249
Mr. Makitle J	134 078	46 214	76	5 787	186 155
Mr. Rakhunoane K.	133 478	57 646	12 642	3 847	207 613
Ms. Sehloho ML.	171 449	11 322	76	5 490	188 337
Mr. Seoko MM.	134 078	42 356	76	3 847	180 357
	1 422 188	**461 845**	**30 802**	**50 711**	**1 965 546**

28. Depreciation and amortisation

	2015	2014
Property, plant and equipment	12 662 561	17 023 554

29. Impairment of assets

	2015	2014
Impairments		
Property, plant and equipment	185 044	189 768
- Assets which are no longer in use were impaired.		
Trade and other receivables	14 062 175	23 716 048
All accounts past due over 60 days were considered for impairment. The payment history of the account was taken into consideration to determine the estimated future cashflow.		
	14 247 219	**23 905 816**

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

30. Finance costs

	2015	2014
Bank	32 813	31 678
Employee benefit obligation	251 000	210 000
Payables from exchange transaction	97 694	1 308 927
	381 507	**1 550 605**

31. Bulk purchases

	2015	2014
Electricity	16 779 609	15 485 041
Water	6 971 324	5 396 249
	23 750 933	**20 881 290**

Distribution losses incurred on water and electricity purchases:

2015	Total sales (units)	Less total purchases (units)	Loss (units)	% Loss on purchases	Rand value of loss at purchase price
Electricity (kilowatt)	14 556 931	(18 359 332)	3 802 401	21	19 810 509
Water (kiloliters)	349 451	(1 318 328)	968 877	73	5 047 849
	14 906 382	**(19 677 660)**	**4 771 278**	**94**	**24 858 358**

2014	Total sales (units)	Less total purchases (units)	Loss (units)	% Loss on purchases (units)	Rand value of loss at purchase price
Electricity (kilowatt)	14 056 582	18 448 125	(4 391 543)	24	3 470 347
Water (kiloliters)	392 737	1 394 345	(1 001 608)	72	6 432 224
	14 449 319	**19 842 470**	**(5 393 151)**	**96**	**9 902 571**

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

32. General expenses

Admin fees	149 646	164 048
Advertising	174 679	212 409
Audit fees	2 857 608	1 652 987
Bank charges	73 545	66 647
Cleaning	1 017	-
Computer expenses	825 355	11 923
Connection fees	248 051	212 598
Consulting fees	-	217 234
Electricity	4 290 350	2 968 655
Entertainment	23 778	33 012
Expanded public works programme expenses	1 381 764	848 184
Fuel and oil	329 618	322 343
Grant expenditure	1 232 773	2 499 809
IDP	67 368	167 310
Insurance	770 251	1 482 086
Legal expenses	946 249	727 726
License fees	15 224	93 165
Membership fees	512 000	965 500
Other expenses	541 449	847 892
PMU expenditure	1 873 134	12 429
Postage	126 260	151 957
Printing and stationery	229 447	234 131
Professional fees	3 917 456	1 583 986
Rehabilitation cost	-	706 507
Rental of equipment	585 924	504 123
Rental of vehicles	1 705 013	2 107 743
Security	1 432	-
Special community programmes	1 161 173	726 809
Telephone costs	1 114 282	997 531
Training	435 897	126 257
Travel and subsistence	239 275	401 796
Uniforms and overalls	100 053	121 186
	25 930 071	**21 167 983**

33. Operating lease rentals

Operating leases - as lessee (expense)		
- within one year	776 516	653 051
- in second to fifth year inclusive	558 486	945 402
	1 335 002	**1 598 453**

Operating leases - as lessor (income)		
- within one year	113 094	112 717
- in second to fifth year inclusive	228 008	343 052
	341 102	**455 769**

Operating leases income represent rentals payable by Vodacom, MTN and Cell C for the rental of municipal land for their towers. Leases are negotiated for an average term of 5 year or less. The escalation is 10% per annum, and there are no contigent rentals or purchase options.

The municipality leases the FNB building in Dewetsdorp at a monthly rental of R15 000 for a period of 3 years. The contract include an escalation of 7% after year 2 and an option to renew the lease after the 3 year period.

Operating lease payments include rentals payable by the municipality for certain of its vehicles being rented from the Government Garage. Leases are negotiated for an average term of 5 years or less depending on the type of vehicle rented, rentals paid include a fixed and a variable cost factor depending on the amount of kilometers traveled during the period.

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

The municipality leases 15 digital copiers from Multitech Corporation at a monthly rental of R 42 141.22. The agreement has no fixed term as is on a month to month basis. The contract includes an annual escalation of 15%.

34. Fair value adjustments

Investment property	-	(1 430 000)
Other financial assets		
• Other financial assets	17 340	24 520
	17 340	**(1 405 480)**

35. Cash generated from operations

Deficit	(15 741 477)	(11 232 516)
Adjustments for:		
Depreciation and amortisation	12 662 561	17 023 554
Gain on sale of assets and liabilities	29 248	-
Fair value adjustments	(17 340)	1 405 480
Impairment loss	14 247 219	23 905 816
Movements in employee benefit obligation	293 000	200 231
Movements in provisions	24 542 058	706 508
Actuarial (gain) loss	-	95 769
Water service provision	-	(554 188)
Changes in working capital:		
Inventories	(15 190)	(31 220)
Other receivables from exchange transactions	(14 286 869)	127 266
Consumer recievables	1 254 588	(10 456 948)
Payables from exchange transactions	5 151 478	(5 311 381)
VAT	(618 394)	(608 451)
Unspent conditional grants and receipts	756 150	3 944 840
Consumer deposits	313 173	8 145
	28 570 205	**19 222 905**

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
36. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Infrastructure assets	14 613 454	336 373
• Community assets	1 893 125	146 429
	16 506 579	**482 802**
Not yet contracted for and authorised by accounting officer		
• Infrastructure assets	-	7 200 740
Total capital commitments		
Already contracted for but not provided for	16 506 579	-
Authorised operational expenditure		
Already contracted for but not provided for		
• Consulting fees	2 069 559	-
• Other	243 200	-
	2 312 759	**-**
Total operational commitments		
Already contracted for but not provided for	2 312 759	-
Total commitments		
Total commitments		
• Approved and contracted for	16 505 579	482 801
• Approved and not yet contracted for	-	7 200 740
• Operating activities	2 312 759	2 666 136
	18 818 338	**10 349 677**

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

37. Contingencies

Contigent assets / Contigent liabilities

	2015	2014
MIIB (illegal contract)		
Opening balance	6 000 000	6 000 000
Tankiso Griesel -(Unfair dismissal)		
Opening balance	(60 000)	(60 000)
Resolved-29/04/2015	60 000	-
	-	**(60 000)**
Landfill sites- (Licences)		
Opening balance	(10 000 000)	(10 000 000)
Das Ram Boerdery/ CB Kotze/FP Strauss- (Damages)		
Opening balance	(2 893 119)	(2 893 119)
Adjustments made	1 893 119	-
	(1 000 000)	**(2 893 119)**
Ngalo & 22 Others - (Unfair dismissal)		
Opening balance	1 000 000	1 000 000
Ngalo & 22 Others - (Interpretation of collective agreement)		
Opening balance	(4 000 000)	(150 000)
Adjustments made	-	(3 850 000)
	(4 000 000)	**(4 000 000)**
E.H. van den Berg- (Damage)		
Opening balance	(624 105)	(624 105)
Adjustments made	(175 895)	-
Matter finalised	800 000	-
	-	**(624 105)**

MIIB- Municipality entered into an agreement for the installation of a SAP financial system. The matter has been taken to court because the municipality believes that the contract was entered into illegally as the supply chain process were not followed. It is anticipated that the matter shall be finalised in the 2016/2017 financial year.

Tankiso Griesel - Judgement was issued, in favour of the municipality, during the 2015 financial year.

Landfill sites licences- The municipality managed one (1) landfill sites without the required license in contravention of the National Environmental Management: Waste Act, 2008 (Act No. 59 of 2008). In terms of section 68(1) of the National Environmental Management: Waste Act, 2008 a fine of R10 million or imprisonment for a period not exceeding 10 years for any person convicted of the offence could be imposed. Furthermore, the municipality may be subject to legal action by other institutions or members of the public since an unauthorised landfill site is operated that could have an environmental, health or safety risk to the community. The municipality is currently in the process of obtaining the license.

Das Ram Boerdery/CB Kotze/FP Strauss - The plaintiffs are claiming damages from the municipality due to a field fire started by the municipality. Court date has been set for November 2015 however the expected date of finalisation is uncertain.

Ngalo & 22 Others - (Unfair dismissal) - The municipality is in a court case with its former employees alleged unfair dismissals. The matter is in Labour Court of South Africa. If the court rule in favour of the plaintiffs the municipality would have to pay the plaintiffs backpay from the date of termination. The expected date of finalisation is during the 2017 financial year

Ngalo & 22 Others - (Interpretation of collective agreement)- There is a dispute over the SALGBC interpretation of the collective agreement. It is anticipated that the matter shall be finalised in the 2016/2017 financial year.

E.H van der Berg - The case was settled during the 2015 financial year.

38. Related parties

Relationships	
Accounting Officer	Refer to accounting officer's report
Councillors	Refer to note on remuneration of councillors
Members of key management	Refer to note on employee cost

No related party transactions were incurred during the year under review.

39. Risk management

The municipality’s activities expose it to a variety of financial risks: credit, liquidity and market risk

Liquidity risk

The municipality’s risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the municipality’s financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within twelve months equal their carrying balances as the impact of discounting is not significant.

At 30 June 2015	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange transactions	31 728 728	-	-	-
Other financial liabilities	20 075	180 804	-	-

At 30 June 2014	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange transactions	24 883 506	-	-	-
Other financial liabilities	108 475	201 115	-	-

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and receivables. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Receivables comprise a widespread customer base. Management evaluated credit risk relating to receivables on an ongoing basis. If receivables are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the receivable, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by management.

Financial assets exposed to credit risk at year end were as follows:

	2015	2014
Consumer receivables	62 346 787	49 539 198
Cash and cash equivalents	639 845	4 421 293
Other financial assets	115 350	98 010
Other receivables from exchange transactions	252 313	27 620

Market risk

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality’s income and operating cash flows are substantially independent of changes in market interest rates.

Figures in Rand	2015	2014

40. Going concern

We draw attention to the fact that at 30 June 2015, the municipality had accumulated sutplus of R 239 415 380 and that the municipality's total assets exceed its liabilities by R 239 415 380.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality.

41. Events after the reporting date

Provincial Notice 36 dated 7 July 2015 stated that in terms of section 21 of the Local Government: Municipal Demarcation Act, 1998, the Municipal Demarcation Board has re-determined the municipal boundries of Mangaung Metropolitan Municipality, Xhariep District Municipality (DC16) and Naledi Local Municipality (FS164) by excluding the municipal area for Naledi from the municipal area of Xhariep and including it into the municipal area of Mangaung. To date no effective date for the amalgamation has been set.

42. Unauthorised expenditure

Opening balance	102 868 462	69 714 462
Incurred during the current year	32 106 000	33 154 000
	134 974 462	**102 868 462**

43. Fruitless and wasteful expenditure

Opening balance	5 499 702	4 244 236
Fruitless and wasteful expenditure incurred during the year	237 460	1 255 466
	5 737 162	**5 499 702**

Council are in the process of investigating the prior year's unauthorised expenditure.The current and prior year fruitless and wasteful expenditure was mostly incurred due to budget constraints

Interest and penalties were incurred on the following overdue accounts for the current and prior year:

Fruitless and wasteful expenditure		
Auditor General	50 223	6 085
Bloemwater	38 814	1 174 732
Coetzee werkswinkel	141	-
ESKOM	3 574	702
OVK	2 253	478
UOVS	108	1 534
Telkom	8 278	2 302
Department of Roads and Transport	-	47 312
SARS	134 069	-
Government Garage	-	22 321
	237 460	**1 255 466**

44. Irregular expenditure

Opening balance	25 615 843	11 733 023
Add: Irregular Expenditure - current year	5 031 729	13 882 820
Restatement of 2012	2 166 982	-
Restatement of 2013	5 153	-
Condoned in the current year	3 684 097	-
	36 503 804	**25 615 843**

44. Irregular expenditure (continued)

Analysis of expenditure awaiting condonation per age classification

Current year	5 031 729	13 882 820
Prior years	-	11 733 023
	5 031 729	**25 615 843**

R4 301 682 of the current year irregular expenditure incurred were condoned at the council meeting held 20 August 2015.

Details of irregular expenditure – current year

Deviations from supply chain procedures		3 669
Price: R2 000 - R10 000	Coetzee Werkwinkel	3 669
	Kevcor	8 366
	Letlaka communications	5 917
	Media 24	8 324
	The New age media	9 439
	TP Mazangwana	1 648
	Wepener Drukkery	5 629
Price: R10 000 - R30 000	AFROX	10 871
	Coetzee Werkwinkel	14 950
	Coetzee Werkwinkel	25 282
	Courtyard Hotel Arcadia	15 600
	Letlaka communications	71 684
	Lithotech	10 205
	Media 24	19 152
	RTM General Services	19 800
	Seipone News	66 768
	The New Age Media	16 781
	Three Cities Hotel	15 480
	Pretoria Hotel Kimberly	14 015
	UFS	23 917
	UFS	20 353
	Xhariep	11 000
Price: R30 000 - above	Dovetail Construction	350 489
	Ginami trading 34cc	528 000
	Heavy W8	64 990
	Kevcor	41 974
	Knowledge Expertise Trading	2 484 175
	Koaho Civil Contract	210 791
	Lekulo Investment building construction	49 000
	Leveticus steel building construction	692 350
	Media 24	37 346
	Rocla (Pty)	33 905
	Singoba Simunye Management CC	76 800
	TNA Media (Pty) Ltd	31 154
	UFS	31 905
		5 035 398

44. Irregular expenditure (continued)

Details of irregular expenditure condoned - Prior year

Brighter Thought	41 480
Pro Construction	176 519
Blue Rain Trading 40	1 169 752
Bella Mabandla Win C	2 000 592
Koaho Civil Contact	3 300 606
Knowledge Expertise Training	7 193 871
	13 882 820

Details of irregular not condoned - prior year

	Deviations from normal supply chain procedures	
Price: R2 000 to R10 000	Anta Boga Hotel	7 840
	AT Mpiti	2 600
	Lethlaka Communication	7 871
	Matshepang Trading	3 600
	Media 24	2 052
	Peermont Metcourt	4 860
	Phumela Guest House	5 220
	Protea Hotel	2 148
	Seipone News Time	5 600
	Thokoa Trading	4 700
Price: R10 000 to R30 000	AT Mpiti	11 700
	Hilton Hotel	14 720
	Imfo	11 633
	Lambons	13 824
	Lethlaka Communication	14 897
	Phomane Transport	20 900
	Protea Hotel	15 283
	Qibing Trading	10 634
	The New Age	28 318
	Xhariep Independent	20 500
Price: R30 000 and above	Lethlaka Communication	37 047
	Seipone News Time	47 390
	Xhariep Independent	38 000
	Yes Media	199 500
	Waltons (Pty) Ltd	41 894
	Bella Mabandla Win C	2 000 592
	Blue Rain Trading 40	2 131 321
	Brighter Thought	41 480
	Knowledged Expertise Training	7 193 871
	Koaho Civil Contract	3 300 606
	Pro Construction	176 519
		15 417 120

45. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government - SALGA

	2015	2014
Opening balance	500 000	545 387
Current year subscription / fee	500 000	500 000
Amount paid - current year	(12 000)	(465 500)
Othe related expenditure	12 000	15 500
Amount paid - previous years	(500 000)	(95 387)
	500 000	**500 000**

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

45. Additional disclosure in terms of Municipal Finance Management Act (continued)

Material losses through criminal conduct

No material losses through criminal conduct were reported.

Audit fees

Opening balance	252 426	(1 170 836)
Current year subscription / fee	3 306 896	2 726 423
Amount paid - current year	(2 451 025)	1 831
Amount paid - previous years	(252 426)	(1 304 992)
	855 871	**252 426**

PAYE and UIF

Opening balance	162 304	-
Current year fee	2 869 242	2 872 763
Amount paid - current year	(2 626 365)	(2 710 459)
Amount paid - previous years	(162 304)	-
	242 877	**162 304**

Pension and medical aid deductions

Opening balance	11 906	-
Current year subscription / fee	6 891 685	6 113 652
Amount paid - current year	(6 294 743)	6 101 746
Amount paid - previous years	(11 906)	-
	596 942	**12 215 398**

VAT

VAT receivable	1 820 391	1 201 997

All VAT returns have been submitted by the due date throughout the year.

Figures in Rand	2015	2014

45. Additional disclosure in terms of Municipal Finance Management Act (continued)

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2015:

30 June 2015	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Mr. Haddad MG.	595	-	595
Ms. Mahase M.	597	8 287	8 884
Mr. Mahloko MD.	1 314	7 989	9 303
Mr. Rakhunoane K.	597	6 116	6 713
Ms. Sehloho ML.	283	2 443	2 726
Mr. Seoko MM.	597	7 635	8 232
	3 983	**32 470**	**36 453**

30 June 2014	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Mr. Haddad MG.	1 224	-	1 224
Ms. Mahase M.	422	6 671	7 093
Mr. Mahloko MD.	422	5 300	5 722
Mr. Makitle J.	269	3 012	3 281
Mr. Rakhunoane K.	848	4 074	4 922
Ms. Sehloho (Molise) ML.	200	1 675	1 875
Mr. Seoko MM.	422	6 020	6 442
Mr. Tladi GM	65	533	598
	3 872	**27 285**	**31 157**

46. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the annual financial statements.

Refer to the Irregular expenditure note for a comprehensive list disclosed.

47. Budget differences

Material differences between budget and actual amounts

X1: The decrease in service charges are mainly attributable to the municipality's inability to properly account for distribution losses on bulk water purchases due to excessive water leakages emanating form inadequate budgeting for repairs and maintenance resulting in potential revenue being forgone; migratory patterns along the Lesotho border which is directly affected by the provision of services to foreigners who do not qualify as indigents; and inability to collect more revenues as a result of high unemployment rate an inadequate and/or lack of sustainable economic activities.

X2: Inaccurate assumptions used during the budget process.

X3: During budget proceedings the municipality had not taken into consideration interest that would be derived from debtors on outstanding debts.

X4: Inaccurate assumptions used during the budget process.

47. Budget differences (continued)

X5: During budget proceedings the municipality had not taken into consideration the interest that would be derived from investments.

X6: Estimations form dividends had been based on trends form the 2012/2013 to the 2013/2014 financial years as significant increases in dividend income had been experiences. Due to economic pressure it is presumed that earnings had not been as expected and the municipality had overestimated dividend income.

X7: During the financial year the municipality had discovered that they had inadvertently been charging themselves property rates and other items. This had been corrected and lead to a decrease in revenue for property rates.

X8: Fines are issued by the Department of Roads and Transport and the Police. Therefore the budgeted amount is based on historical trends and is based on highly uncertain estimations.

X9: Inaccurate assumptions used during the budget process.

X10: During the budget proceedings the municipality had not taken into consideration the would be donation received.

X11: Wage increases for municipal staff continue to exceed consumer inflation. The municipality intended to fill all the vacancies e.g. within the finance department, but due to market related salaries of the vacancies, cost reprioritization and cash management strategy the municipality was unable to fill the positions.

X12: Due to budget constraints no transfer payments were done.

X13: The amount for depreciation and amortisation for budget purposes had been made through estimations. The municipality had not foreseen the degrading and wear and tear of assets to the extent that had been identified through physical verification and annual evaluation of residual value and remaining useful life. Ageing and poorly maintained water-, roadsand infrastructure, cash flow eliminations and declining cash reserves of the municipality, has contributed to certain assets not being properly maintained which affected residual value, remaining useful life and hence affecting write off policies.

X14: The budget based on the assumptions that only approximately 9% of all outstanding debtors are received as the allowance for impairment ofnreceivables had been revaluated and implemented in 2013/2014 financial year.

X15: Inaccurate assumptions used during the budget process.

X16: During budgetary proceedings the municipality assumed they would purchase bulk water.

X17: Bulk purchases are directly influenced by the purchase of water from Bloemwater. The outstanding amounts owed and the annual price increases had been factored in the budget appropriation and are directly influencing the revenue provisions. The expenditure relatively caters for distribution losses on water. As per discussion above, of the outstanding capital debt and interest had been written off by Bloemwater, therefore less expenditure had been incurred.

X18: Due to cash flow limitations and declining cash reserves of the municipality various campaigns had been undertaken the costs incurred are more than expected by the municipality.

X19: During budgetary proceedings the municipality did not anticipate a change in the fair value of investment properties. The property had been revalued as to comply with the necessary requirements of GRAP during the 2013/2014 financial year and the property value had been adjusted downwards.

X20: During budgetary proceedings the municipality had not complied with the requirements of GRAP in terms of valuations of the defined benefit plans, etc. With preparations of the annual financial statements a valuation was performed and and actuarial gain was recognised.

48. Prior period errors

The prior year has been amended to account for prior period errors.

Below is a summary of the total effect that the prior period errors, changes in accounting policies and reclassifications of compartives had on the amounts previously disclosed in the annual financial statements, followed by a description of each individual prior period error with the amounts involved.

48. Prior period errors (continued)

Statement of Financial Performance for the year ended 30 June 2014	Balance as previously reported	Prior period error	Reclassified (note 49)	Restated balance
Revenue				
Service charges	26 283 300	-	-	26 283 300
Rental income	361 655	-	-	361 655
Interest received - trading	-	163 615	-	163 615
Interest received - investment	121 612	-	-	121 612
Dividends recieved	3 263	-	-	3 263
Other exchange revenue	227 096	-	-	227 096
Discount recieved	8 167 510	-	-	8 167 510
Property rates	3 495 164	-	-	3 495 164
Government grants and subisidies	65 741 682	-	-	65 741 682
Public contributions and donations	1 245 936	-	-	1 245 936
Total revenue	105 647 218	163 615	-	105 810 833
Expenditure				
Employee related costs	(26 775 316)	-	-	(26 775 316)
Remuneration of councillors	(1 965 546)	-	-	(1 965 546)
Depreciation	(16 960 904)	(62 650)	-	(17 023 554)
Impairment loss	(23 905 816)	-	-	(23 905 816)
Finance costs	(1 550 605)	-	-	(1 550 605)
Repairs and maintenance	(2 271 984)	-	-	(2 271 984)
Bulk purchases	(20 881 290)	-	-	(20 881 290)
General expenses	(21 167 982)	-	-	(21 167 982)
Total expenditure	(115 479 443)	(62 650)	-	(115 542 093)
Operating surplus / (deficit)	(9 832 225)	100 965	-	(9 731 260)
Fair value adjustments	(1 405 480)	-	-	(1 405 480)
Actuarial loss	(95 769)	-	-	(95 769)
Surplus / (deficit) for the year	(11 333 474)	100 965	-	(11 232 509)

48. Prior period errors (continued)

Statement of Financial Position as at 30 June 2014

	Balance as previously reported	Prior period error	Reclassified (note 49)	Restated balance
Assets				
Current Assets				
Cash and cash equivalents	4 421 293	-	-	4 421 293
Consumer receivables from exchange transactions	2 356 746	(424 396)	1 059 773	2 992 123
Consumer receivables from non-exchange transactions	1 059 773	-	(1 059 773)	-
Receivables from non-exchange transactions	27 620	-	-	27 620
VAT receivable	1 201 997	-	-	1 201 997
Inventories	81 007	-	-	81 007
Total current assets	9 148 436	(424 396)	-	8 724 040
Non-current Assets				
Investment property	1 090 000	-	-	1 090 000
Property, plant and equipment	289 833 467	83 619	-	289 917 086
Intangible assets	311 040	-	-	311 040
Other financial assets	98 010	-	-	98 010
Total non-current assets	291 332 517	83 619	-	291 416 136
Liabilities				
Current Liabilities				
Payables from exchange transactions	25 354 560	(471 061)	-	24 883 499
Consumer deposits	568 828	-	-	568 828
Other financial liabilities	108 475	-	-	108 475
Unspent conditional grants and receipts	4 057 363	-	-	4 057 363
Employee benefit obligation	275 000	-	-	275 000
Provisions	12 132 031	-	-	12 132 031
Total current liabilities	42 496 257	(471 061)	-	42 025 196
Non-current Liabilities				
Other financial liabilities	201 115	-	-	201 115
Employee benefit obligation	2 757 000	-	-	2 757 000
Net Assets				
Accumulated surplus - Opening balance	266 360 055	29 319	-	266 389 374
Surplus / (deficit) for the year	(11 333 474)	100 965	-	(11 232 509)
Total net assets	255 026 581	130 284	-	255 156 865

1. Provision for pre-paid sales

Correction of the 2010/11 provision for pre-paid electricity sales which had not been reversed subsequent to the 2010/11 financial year end.

Figures in Rand	2015	2014

48. Prior period errors (continued)

Statement of financial position		
Decrease in accumulated surplus	-	116 950
Decrease in Consumer recievables	-	(116 950)
	-	**-**

2. Interest received from electricity consumer accounts

Interest charged on overdue consumer debtors for 2013/14 was previously recognised as part of Centlec's interest income instead of Naledi's interest received - trading.

Statement of financial position		
Decrease in payables from exchange transactions	-	163 615

Statement of financial performance		
Increase in interest received - trading	-	(163 615)

3 Allowance for impairment

An adjustment to the allowance for impairment account for electricity consumer receivables were incorrectly classified as payables. This error was corrected by adjusting the payables account and the impairment account under consumer receivables to reflect the correct balances.

Statement of financial position		
Decrease in consumer receivables	-	(307 446)
Decrease in payables from exchange transactions	-	307 446
	-	**-**

5. Property, plant and eqiupment

During the 2014/15 verficiation process assets were identified which are still in use and which could not be traced to any of the previous years asset registers. These assets were taken onto the register at deemed cost in terms of Directive 7 Deemed Cost as the original purchase invoices could not be located.

Statement of financial position		
Increase in Property, plant and equipment	-	83 619
Increase in Accumulated surplus	-	(146 269)
	-	**(62 650)**

Statement of financial performance		
Increase in Depreciation	-	62 650

49. Comparative figures

Certain comparative figures have been reclassified.

Consumer recievables relating to rates services were reclassified to be disclosed with the other consumer receivable accounts. To ensure compliance to GRAP the consumer receivables note disclose the difference between consumer receivables from exchange and non-exchange transactions.

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

49. Comparative figures (continued)

The aggregate effect of the changes in accounting policy on the annual financial statements for the year ended 30 June 2014 is disclosed in note 48 - Prior period errors.